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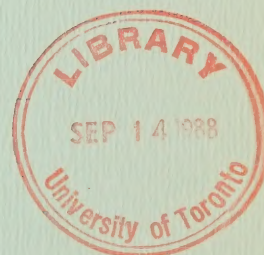
VOLUME: XL

DATE: Monday, August 29th, 1988

BEFORE: M.I. JEFFERY, Q.C., Chairman

E. MARTEL, Member

A. KOVEN, Member



FOR HEARING UPDATES CALL (TOLL-FREE): 1-800-387-8810

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HEARING ON THE PROPOSAL BY THE MINISTRY OF NATURAL
RESOURCES FOR A CLASS ENVIRONMENTAL ASSESSMENT FOR
TIMBER MANAGEMENT ON CROWN LANDS IN ONTARIO

IN THE MATTER of the Environmental
Assessment Act, R.S.O. 1980, c.140;

- and -

IN THE MATTER of the Class Environmental
Assessment for Timber Management on Crown
Lands in Ontario;

- and -

IN THE MATTER of an Order-in-Council
(O.C. 2449/87) authorizing the
Environmental Assessment Board to
administer a funding program, in
connection with the environmental
assessment hearing with respect to the
Timber Management Class
Environmental Assessment, and to
distribute funds to qualified
participants.

Hearing held at the Ramada Prince Arthur
Hotel, 17 North Cumberland St., Thunder
Bay, Ontario, on Monday, August 29th, 1988,
commencing at 1:00 p.m.

VOLUME XL

BEFORE:


MR. MICHAEL I. JEFFERY, Q.C.	Chairman
MR. ELIE MARTEL	Member
MRS. ANNE KOVEN	Member

A P P E A R A N C E S

MR. V. FREIDIN, Q.C.)	MINISTRY OF NATURAL
MS. C. BLASTORAH)	RESOURCES
MS. K. MURPHY)	
MR. B. CAMPBELL)	MINISTRY OF ENVIRONMENT
MS. J. SEABORN)	
MR. R. TUER, Q.C.)	ONTARIO FOREST INDUSTRY
MR. R. COSMAN)	ASSOCIATION and ONTARIO
MS. E. CRONK)	LUMBER MANUFACTURERS'
MR. P.R. CASSIDY)	ASSOCIATION
MR. J. WILLIAMS, Q.C.	ONTARIO FEDERATION OF
	ANGLERS & HUNTERS
MR. D. HUNTER	NISGAWBE-ASKI NATION
	and WINDIGO TRIBAL COUNCIL
MR. J.F. CASTRILLI)	
MS. M. SWENARCHUK)	FORESTS FOR TOMORROW
MR. R. LINDGREN)	
MR. P. SANFORD)	KIMBERLY-CLARK OF CANADA
MS. L. NICHOLLS)	LIMITED and SPRUCE FALLS
MR. D. WOOD)	POWER & PAPER COMPANY
MR. D. MacDONALD	ONTARIO FEDERATION OF
	LABOUR
MR. R. COTTON	BOISE CASCADE OF CANADA
	LTD.
MR. Y. GERVAIS)	ONTARIO TRAPPERS
MR. R. BARNES)	ASSOCIATION
MR. R. EDWARDS)	NORTHERN ONTARIO TOURIST
MR. B. McKERCHER)	OUTFITTERS ASSOCIATION
MR. L. GREENSPOON)	NORTHWATCH
MS. B. LLOYD)	

APPEARANCES: (Cont'd)

MR. J.W. ERICKSON, Q.C.) MR. B. BABCOCK)	RED LAKE-EAR FALLS JOINT MUNICIPAL COMMITTEE
MR. D. SCOTT) MR. J.S. TAYLOR)	NORTHWESTERN ONTARIO ASSOCIATED CHAMBERS OF COMMERCE
MR. J.W. HARBELL) MR. S.M. MAKUCH)	GREAT LAKES FOREST PRODUCTS
MR. J. EBBS	ONTARIO PROFESSIONAL FORESTERS ASSOCIATION
MR. D. KING	VENTURE TOURISM ASSOCIATION OF ONTARIO
MR. D. COLBORNE	GRAND COUNCIL TREATY #3
MR. R. REILLY	ONTARIO METIS & ABORIGINAL ASSOCIATION
MR. H. GRAHAM	CANADIAN INSTITUTE OF FORESTRY (CENTRAL ONTARIO SECTION)
MR. G.J. KINLIN	DEPARTMENT OF JUSTICE
MR. S.J. STEPINAC	MINISTRY OF NORTHERN DEVELOPMENT & MINES
MR. M. COATES	ONTARIO FORESTRY ASSOCIATION
MR. P. ODORIZZI	BEARDMORE-LAKE NIPIGON WATCHDOG SOCIETY
MR. R.L. AXFORD	CANADIAN ASSOCIATION OF SINGLE INDUSTRY TOWNS
MR. M.O. EDWARDS	FORT FRANCES CHAMBER OF COMMERCE
MR. P.D. McCUTCHEON	GEORGE NIXON



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APPEARANCES: (Cont'd)

MR. C. BRUNETTA

NORTHWESTERN ONTARIO
TOURISM ASSOCIATION

I N D E X O F E X H I B I T S

<u>Exhibit No.</u>	<u>Description</u>	<u>Page No.</u>
203	Copy of Pharand Study entitled Forest Sector-Dependent Communities in Canada: A Demographic Profile.	6650
204	Ministry of Natural Resources document entitled: The Forest Industry in the Economy of Ontario.	6692
205	Ministry of Trade and Technology Report dated October 14, 1986.	6708
206	Interrogatory Question No. 5 posed by CELA.	6717
207	Excerpts of Selected Forestry Statistics, Ontario: 1987.	6764
208	Report entitled: Medium-Term Market Outlook for the Ontario Newsprint Industry.	6770

1 ---Upon commencing at 1:00 p.m.

2 THE CHAIRMAN: Good afternoon, ladies and
3 gentlemen. Please be seated.

4 Is Mr. Freidin not going to be with us
5 today?

6 MS. BLASTORAH: He is, Mr. Chairman. I
7 am not sure whether -- as far as I know, he is going to
8 be here. I know he had a meeting and he may be just
9 collecting his paper.

10 THE CHAIRMAN: So you will man the ship
11 in his absence.

12 MS. BLASTORAH: I guess so.

13 THE CHAIRMAN: Okay.

14 MS. BLASTORAH: Maybe just before we
15 begin, I could file copies of the one bullet chart or
16 overhead that Mrs. Coke referred to on Friday that we
17 didn't have hard copies of.

18 THE CHAIRMAN: Very well.

19 MS. BLASTORAH: I am not just sure of the
20 exhibit number of this. Perhaps the Board could help
21 me out on that. It was Ontario Forest Products
22 Industries in the Canadian context and it was
23 essentially information taken from various other
24 tables.

25 It wasn't anything new, but...

1 MR. CASTRILLI: 196.

2 MS. BLASTORAH: 196.

3 THE CHAIRMAN: Right.

4 MS. BLASTORAH: These are just hard
5 copies then of Exhibit 196.

6 THE CHAIRMAN: Okay.

7 Mr. Cosman, are you ready to go?

8 MR. COSMAN: Thank you, Mr. Chairman.

9 THE CHAIRMAN: Panel, I would remind you
10 you are still under oath.

11 PETER R. ANDERSEN,
12 JOHN M. DUNCANSON,
ALISON COKE, Resumed

13 MR. COSMAN: I would like to address my
14 questions, Mr. Chairman, to Ms. Coke to start.

15 CROSS-EXAMINATION BY MR. COSMAN:

16 Q. And, Ms. Coke, I am not going to
17 undermine what you say in your evidence with which I
18 agree, I hope to elaborate on certain aspects of it and
19 try to bring out some additional information.

20 MS. COKE: A. Fine.

21 Q. First of all, you in your evidence
22 talked about the fragile economy of northern
23 communities.

24 A. I said there were certain
25 characteristics about the north which made it a special

1 place.

2 Q. Yes, those were the characteristics
3 that you described of it being a resource-based
4 economy, it was less diversified, more subject to boom
5 and bust, distance from markets and labour pools, out
6 migration problems, problems in attracting capital and
7 entrepreneurs, and difficulties in getting
8 infrastructure in place.

9 A. From my knowledge those are
10 characteristics which you could attribute to the north,
11 yes.

12 Q. All right. What I would like to do
13 is ask you a number of questions relating to the
14 economic contribution of the forest industry to
15 northern Ontario communities and I am going to explore
16 the impact of downturns in that economy on those
17 communities with you.

18 First of all, you provided an inventory
19 of 37 communities with over a hundred jobs reported in
20 the employment -- in the forest industry at page 137 of
21 your witness statement. I wonder if you might just
22 turn to that.

23 A. That's correct, okay.

24 Q. And I think quite fairly you
25 described it as presenting a conservative picture and I

1 would like to explore some of those factors. For
2 example, at the top of that particular chart it
3 describes that this is in respect of those industries
4 where there are over one hundred jobs reported?

5 A. That is correct.

6 Q. And I believe you testified that
7 there were a number of communities that had jobs of
8 less than a hundred that you would have to factor in?

9 A. That is correct.

10 Q. Many of the forest-dependent
11 communities of the north have logging contractors and
12 small saw mills and various operations that wouldn't be
13 included in this chart.

14 A. Logging jobs would not be included in
15 this chart. This is just wood manufacturing--

16 Q. That is just wood manufacturing?

17 A. --and paper and allied manufacturing.

18 Q. Yes.

19 A. That's right.

20 Q. And small manufacturing then would
21 not be included in this chart?

22 A. Actually, no. What would be included
23 in this chart would be firms which are reported in
24 Scott's Industrial Directory and some of those firms
25 are very small.

1 Q. But they would be firms that had over
2 one hundred jobs?

3 A. Yes, that is correct. Well, no, it
4 would be in communities where more than one hundred
5 jobs are reported in the manufacturing sector, okay.

6 Q. Right.

7 A. So there is more than a hundred jobs
8 in that town that relate to wood industry and paper and
9 allied production.

10 Q. And you indicated that in relation to
11 population you haven't factored out -- this is absolute
12 population amount and quite fairly you said it would
13 include children, it would include--

14 A. The elderly.

15 Q. --the elderly, unemployable. And
16 would you agree that the relationship of the labour
17 force to the population at large would be a factor of
18 somewhere around 45 to 50 per cent?

19 A. I haven't looked at it. I really
20 can't comment, I have not looked at that. I have not
21 looked at that, but it would make sense.

22 Q. All right. If it is 50 per cent,
23 say.

24 A. Yes, okay. If you took two to a
25 household and you considered that one person is

1 working, 50 per cent, yes.

2 Q. Then you would have to take your
3 percentages in effect and double them; would you not,
4 taking into account that there are some persons coming
5 into those communities from outside the community?

6 A. Certainly there would be -- there is
7 likely to be unemployment in this communities because
8 of people who do not reside there, that is true.

9 Q. But apart from that, in order to show
10 the absolute number of jobs in relation to the
11 percentage of the labour force rather than the
12 percentage of the population, using a 50 per cent
13 factor, you would essentially have to double those
14 percentages?

15 A. I am going to have to take your word
16 for it, but I really don't know what the statistical
17 conversion factor should be, but I will accept what you
18 say, half.

19 Q. Then again - and I am not, once
20 again, criticizing you because I think you made it very
21 clear that the conservative basis on which you
22 approached this, but you indicated these are direct
23 employment figures only?

24 A. That's correct.

25 Q. And if you were to take into account

1 indirect employment, then you would apply a multiplier
2 that would more than double this again?

3 A. Based on the Statistics Canada 1984
4 model which only includes indirect employment, yes, for
5 every job in the sector we would estimate another job
6 outside of the sector. So one for one, that is
7 correct.

8 Q. So to get a true picture -- or a
9 truer picture than the statistics might show of what
10 the number of employees or the number of employees in
11 the forest industry are, you would consider you would
12 have to double the percentages that would be included
13 here?

14 A. Based on the Statistics Canada model
15 estimates, yes, that would suggest that for every one
16 job in wood industries and paper and allied industries
17 which were reported in these mills, there should be one
18 other job outside of these mills across Canada.

19 Q. And as you have indicated, using the
20 closed model, this doesn't take into account induced
21 employment, it's only indirect employment?

22 A. Using the open model.

23 Q. The open model, rather.

24 A. That's correct.

25 Q. And so if you were to try to

1 determine the number of employees or of people in those
2 communities involved in the forest industry, you would
3 have to, in addition to doubling it to take into
4 account the indirect jobs, you would also have to take
5 into account, in real people terms, the induced
6 employment that would be created by forest industry
7 employees spending their wages in those communities?

8 A. I think it is fair to say that these
9 direct jobs could have -- certainly would have resulted
10 in indirect employment and there are certainly also
11 should be induced employment effects as a result of
12 this employment.

13 Q. All right. And that would include
14 everything from, as I think you put it, you included
15 beer, but it would include everything from the purchase
16 of cars to the purchase of minnow buckets?

17 A. Exactly.

18 Q. All right. And is it fair to say
19 that forest industry employees in the north have a
20 better than average wage and, in that respect, I want
21 to refer to a 1988 Canadian Forest Services Report
22 known as the Pharand Study.

23 Are you familiar with that study?

24 A. I have reviewed it very briefly.

25 Q. All right. If I might ask you to

1 turn to page 13 of that study.

2 THE CHAIRMAN: Do we have that, Mr.
3 Cosman?

4 MR. COSMAN: I have copies for you, Mr.
5 Chairman. (handed)

6 THE CHAIRMAN: Exhibit 203.

7 ---EXHIBIT NO. 203: Copy of Pharand Study entitled:
8 Forest Sector-Dependent
9 Communities in Canada: A
Demographic Profile.

10 THE CHAIRMAN: Mr. Cosman, I think we
11 need an extra one for the record.

12 MR. COSMAN: Yes. (handed)

13 THE CHAIRMAN: Thank you.

14 MR. COSMAN: Now, Mr. Chairman, just for
15 the record, with respect to this 1988 Study entitled:
16 Forest Sector-Dependent Communities in Canada, A
17 Demographic Profile, there are a number of skipped
18 pages in my photocopies, they were all unnumbered
19 blanks except for one which is an introductory page.

20 But I think all relevant pages of this
21 particular study are photocopied for the Board.

22 THE CHAIRMAN: Very well.

23 MR. COSMAN: Q. At page 13, Ms. Coke, it
24 says -- bottom left under average income: forest
25 sector workers in forest sector-dependent communities

1 earn considerably more than the average Canadian
2 worker, 38 per cent more. They also earn more on
3 average than other workers in the same community.
4 Would you agree with that statement?

5 MS. COKE: A. I have seen other data
6 which would certainly reinforce this.

7 Q. So when we are talking about induced
8 employment, the employment that would be created by the
9 spending of employees of the forest sector, it is an
10 important factor to know that they have more spending
11 power than the average worker?

12 A. It is certainly an important factor
13 in these communities. I would suspect that the average
14 hourly wages of forestry workers tends to be higher
15 than that of other sectors which would be active in
16 those economies -- those communities.

17 Q. So it is an important factor--

18 A. Yes.

19 Q. --in the various northern communities
20 where these employees reside?

21 A. Yes, it would seem to be.

22 Q. All right. Now, one more group that
23 we haven't included when we talk about employment
24 reported in wood manufacturing industries in the north
25 would be -- or employment generally in the forest

1 industry, is employment associated with the ongoing
2 capital expenditure program of the industry. Is
3 that -- that will be another category of employment
4 that is created by the forest industries sector?

5 A. Well, that will be part of the
6 indirect and -- indirect employment generated as a
7 result of the operation of the mill.

8 Q. I am not talking about the indirect
9 employment generated as a result of the operations of
10 the mill, I am talking about special capital
11 expenditures.

12 A. i.e., expansion activity?

13 Q. Yes.

14 A. Oh, I see what you mean, new
15 investment activity.

16 Q. Yes.

17 A. I see. Yes, okay.

18 Q. So when you look at the northern
19 community and the work -- and the impact of the forest
20 industry on the northern community, you look at all the
21 various categories that you have mentioned, and you
22 also have to take into account the jobs that are
23 created by the expansion of capacity, by
24 modernization --

25 A. Construction jobs, new machinery, and

1 repair and that sort of thing yes.

2 Q. And these jobs again would have both
3 indirect and induced effects?

4 A. Absolutely.

5 Q. Now, just generally when talking
6 about forest industry employment in the north, I think
7 that you quite properly pointed out that certain
8 persons -- certain categories of employment are not
9 shown on your charts and I just want to make sure I had
10 covered those off.

11 These would be silvicultural employees,
12 fire fighters, seasonal workers and, as you pointed
13 out, civil servants such as yourselves and a lot of
14 other service people in this room?

15 A. That's correct.

16 Q. And again when you are looking at the
17 economic impact on the north, you do not include
18 furniture and fixture manufacturing, printing and
19 publishing and, although there may be a good reason for
20 this, this again has to be recognized as being tied to
21 the forest resource in northern communities?

22 A. Some of the work in those industries
23 would certainly be wood related or fiber related
24 employment.

25 Q. Now, I would like to review the

1 communities that might be described as forest dependent
2 communities and in that respect I would ask you to turn
3 to the Pharand Report which I have just filed at list
4 one.

5 A. Yes.

6 Q. There is a list at the back of that
7 study, page 29.

8 A. Yes, I have looked at that list.

9 Q. All right. And as I understand it,
10 having regard to the definition section which precedes
11 the list which is found at page 25, what the authors of
12 the report have done is taken communities where there
13 was less than a 10,000 person population and more than
14 30 per cent of that community was engaged in forest
15 industry employment?

16 A. That's what I see as their definition
17 of forest dependent.

18 Q. Okay. In that respect then, having
19 regard for the list of Ontario at page 29, I count 41
20 communities that would fit this bill as being forest
21 dependent communities?

22 A. I haven't counted them, but I accept
23 that.

24 Q. All right. And just as a matter of
25 interest -- and there is a code for what those

1 communities are. I have noted 13 Indian reserves, 19
2 townships, 1 village, 7 towns and 1 organized
3 territory. But just assuming that my mathematics is
4 right, that would be the breakdown; would it not, of
5 those communities -- those 41 communities?

6 A. Okay, yes.

7 Q. And, again, when we talk about these
8 41 communities that have more than 30 per cent of
9 forest industry employment we are talking direct
10 employment; are we not?

11 A. That is the case with this study. As
12 I understand it, this is based on Census 1981 and
13 that's what they would be saying.

14 Q. So you would have to take into
15 account those other factors we already discussed to
16 really get a picture of what the real economic
17 situation is as far as contribution of the forest
18 industry in those communities?

19 A. That's right. They are not
20 considering indirect and induced effects.

21 Q. Okay. Now, again, at page 35 there
22 is a second category of forest dependent communities
23 where the labour force falls into the 15 to 29.9 per
24 cent range and in that respect, on page 42 for Ontario,
25 there are an additional 68 communities that have

1 between 15 and 30 per cent forest industry employment.
2 Is that correct, assuming my math is correct and adding
3 it up?

4 A. I assume your math is correct. Yes,
5 that's what it looks like.

6 Q. And that's what the report would be
7 presenting?

8 A. That's right.

9 THE CHAIRMAN: What was the number,
10 another 61?

11 MR. COSMAN: Another 68.

12 THE CHAIRMAN: Thank you.

13 MR. COSMAN: Q. So the total then of
14 forest sector dependent communities in accordance with
15 this Canadian Forestry Service Report would be 109 in
16 Ontario?

17 MS. COKE: A. That's correct.

18 Q. Now, just a question of definition
19 and I think in describing the northern Ontario in your
20 evidence you described the northwest and the northeast
21 on the basis of Treasury and Economics charting?

22 A. I did.

23 Q. And I think you indicated that this
24 is the area roughly north of Perry Sound and there was
25 still part of the undertaking area that was outside of

1 these defined areas?

2 A. That's correct.

3 Q. Did you, by any chance, have data
4 that could tell you what the extent of the forest
5 operations were and the extent of forest industry
6 employment was in that part of the undertaking which
7 was outside the northeast and northwest?

8 A. I did not do that.

9 Q. Okay. Now, I have -- just perhaps
10 from your knowledge you can assist me with this, but I
11 have a number of communities which I would like to
12 perhaps put to you and see if you can tell me whether
13 or not you know these communities are forest industry
14 based.

15 I mean Pembroke, for example, which is
16 outside your northeast and northwest, there are two
17 veneer mills, four large saw mills, 12 small saw mills.
18 Would you know that to be correct?

19 A. I don't know that to be correct, but
20 if that's the case, knowing Pembroke as a tourist in
21 Ontario, that would seem to me a lot of forestry
22 employment in quite a small community.

23 Q. All right. And Barry's Bay, Killaloe
24 and Eganville, I have 4 large saw mills, 37 small saw
25 mills and, again, this is outside the

1 northeast/northwest Treasury and Economics territory?

2 A. I am sorry, I am not familiar with
3 that.

4 Q. Okay. In Bancroft, L'Amable,
5 Harcourt, Wilberforce and Gooderham, I have 5 large saw
6 mills, 1 veneer mill and 10 small saw mills. Would you
7 be able to help us there?

8 A. I'm sorry, I can't help you.

9 Q. All right. Lanark 1 large saw mill
10 and 27 small saw mills.

11 A. Again, I cannot tell you.

12 Q. Huntsville, 1 particle board mill, 1
13 large saw mill and 4 small saw mills.

14 A. I cannot help you.

15 Q. Okay. Palmer Rapids, 3 large saw
16 mills and 3 small saw mills.

17 A. I didn't do my work that way, I'm
18 afraid.

19 Q. All right. And Braeside, 1 large saw
20 mill and 8 small saw mills.

21 A. Again, I can't help you.

22 Q. Okay. So if that is right and I will
23 have to call independent evidence on it, would you
24 agree that that is a considerable area -- another large
25 contribution by the forest industry sector to that part

1 of the undertaking outside of the defined areas of
2 northwest and northeast?

3 A. It would seem so.

4 Q. All right. Now, I just want to look
5 at one of your charts found at page 448 of your
6 evidence, Figure 3.

7 A. Yes.

8 Q. This shows provincial gross domestic
9 product selected industries for Ontario in 1984 and
10 just to get a true picture of the forest industry
11 relative to other industries, I believe that the pie
12 shows 4.23 per cent for the forest industry?

13 A. Yes, and I have to say, I thought we
14 had mentioned, I must apologize about this table. The
15 table is based on statistics that I received from a
16 special tabulation done for me by the Ministry of
17 Treasury and Economics and it basically draws on data
18 which is shown on page 140, Figure 3.

19 On double checking these numbers after
20 the report went out, I asked -- I noticed that the GDP
21 numbers were different, you will notice in Figure 2 and
22 Figure 3 they are quite different. On Figure 2 they
23 say it's 2.2 per cent of GDP whereas Figure 3 says it
24 is 4.23.

25 What happened was Treasury provided

1 information which excluded some of the services GDP, so
2 while the absolute numbers are correct on page 140,
3 from which this graph was drawn--

4 Q. Yes.

5 A. --for all of the sectors, as I
6 understand it, except for the service sector, the total
7 is incorrect. So basically I am calculating the
8 percentage on the basis of the wrong total. It is too
9 small gross provincial product total and, in fact, I
10 have more recent numbers -- just I double checked and I
11 asked them to provide me with more recent numbers and a
12 complete picture at this time and I don't have that
13 yet. I got something for just the forest products
14 industry, but I didn't get it for all of the other
15 sectors which, of course, I will provide as soon as I
16 have it.

17 Q. All right. So what are the numbers
18 that you have, just looking at Figure 3 just so I can
19 put it in context.

20 A. So looking at Figure 3, what's
21 happened and it is actually better if we go back to
22 page 140, sorry, but that's where the numbers come
23 from. If you look at page 140, the absolute numbers --
24 and, of course, I haven't got the data from Treasury
25 yet so I don't want to promise anything, but I can say

1 one thing for sure, the absolute number for forestry
2 for '81, '71 and '84, that is 214.1 and 516.8 are
3 correct.

4 What is wrong is the percentage .63 and
5 .67 and the same is true for wood industries and for
6 paper and allied industries. And the reason it is
7 wrong is if you look at the bottom total goods -- total
8 service producing, they provided me with a number for
9 service producing which is not complete. And so when
10 you add it up you get a smaller picture and obviously a
11 larger number from a smaller picture is a bigger
12 percentage.

13 Q. All right.

14 A. The PGDP shares now are closer -- it
15 is close to 2 per cent which is what it has been since
16 1970, that's what Treasury assures me. What I cannot
17 tell you now and I will be able to hopefully before the
18 end of the next two days, is show you what is happening
19 elsewhere; what else is in that pie.

20 Q. All right. For example, on your pie
21 chart on page 48, you show forest industry as larger
22 than the oil and mining industry together.

23 A. Yes.

24 Q. Larger than the agricultural industry
25 and over -- a hundred times as large as the fishing and

1 hunting?

2 A. That's right.

3 Q. And you are not able to tell us right
4 now --

5 A. I can't tell you now because I am not
6 confident about the numbers until I have actually seen
7 the new data that comes in from Treasury.

8 Q. All right. Well, subject to any
9 questions that may arise from that, I will just move
10 along.

11 A. Okay.

12 Q. Now, at page 67 of your report in the
13 last full paragraph before the explanatory note you set
14 out two important conclusions that you draw from your
15 data and you indicate that a simple estimate of direct
16 employment in the industry may significantly undervalue
17 the real importance of the forest products industry to
18 the economy and you give the reason for that.

19 A. Yes, I do.

20 Q. Secondly, you point out the
21 fluctuations in the forest product industries fortunes
22 or performance can be expected to have profound ripple
23 effects both within and without the province and across
24 the economy at large.

25 Now, without speaking on the

1 macro-economic level at this point in time, will you
2 agree with me that the ripple effects, as you have
3 described it, on northern communities which are forest
4 industry dependent would really be striking and
5 profound?

6 A. Certainly, they would be. A shutdown
7 of a mill in a community, if it is the only source --
8 the only major source of employment in that community,
9 would have tremendous impacts on all of the activities
10 in that community especially on the local services
11 which, of course, would be the little clusters of
12 activities that are serving the employees that are
13 working in that mill.

14 Q. All right. And you spoke about the
15 serious fact of a mill shutdown. Would it be fair to
16 say that reduced production or deferred expansion would
17 also have ripple effects in those communities, the
18 forest dependent communities?

19 A. To the extent that it resulted in
20 workers -- loss of jobs by workers, yes, I would think
21 that's true, loss of income in the community.

22 Q. So I would like now just to explore
23 the socio side of the socio-economic picture and
24 perhaps I will step back a step.

25 You have got -- and just tell me if this

1 logic follows, we will discuss linkages later, that if
2 you have increased forest product industry costs, wood
3 supply restrictions this could result to reduce
4 competitiveness of the Ontario industry?

5 A. This is what my colleagues have said,
6 yes.

7 Q. All right. And this, again, as you
8 have just described could have the possible effect of a
9 plant closure, reduced expansion, perhaps just deferred
10 expansion. These are various possible effects of being
11 in a less competitive position in the market?

12 A. If a plant can't compete because its
13 costs have increased and therefore it is not able to
14 sell its products or as many of its products and it has
15 to lay off workers, certainly the community will likely
16 feel the effect of that.

17 But it will depend on of course the
18 diversity of the community in question, you know, the
19 economic basic question and lots of reasons as well.

20 Q. That's why I asked you to focus on
21 the forest dependent communities?

22 A. Yes, okay. Okay, all right. Yes, in
23 that case, yes, I would say so.

24 Q. And in terms of -- you mention job
25 loss, and I suppose another effect on those communities

1 would be out migration of employees?

2 A. Permanent loss of employment, in
3 other words. Is that what you are saying?

4 Q. Yes.

5 A. Yes, okay. Yes, of course.

6 Q. Now, I am going to ask you to
7 consider three different areas of effect, just of that
8 scenario: Local business, governmental and personal.
9 First of all local business, the effect of what we have
10 just talked about on the local business would be or
11 could be local market contraction and reduced profits
12 in businesses operating in the local markets?

13 A. That's true.

14 Q. In some cases that could lead to job
15 loss or even bankruptcy of businesses in that
16 community?

17 A. That could happen.

18 Q. It could have the effect of reduction
19 of property and business value for local entrepreneurs?

20 A. Certainly.

21 Q. And a reduced potential to expand
22 businesses and provide a wider range of services in
23 that community?

24 A. If the market shrinks, yes.

25 Q. The impact from a governmental

1 perspective in those communities would be a wastage of
2 a portion of investment in schools, hospitals, sewage,
3 water plants, roads and other infrastructure.

4 A. Yes, if it wasn't being fully
5 utilized, the capacity would be idle.

6 Q. There could be increased -- or would
7 be increased federal spending on unemployment insurance
8 or relocation assistance?

9 A. That is possible, yes, indeed.

10 Q. You would have increased provincial
11 spending on municipal grants and incentive programs?

12 A. Probably.

13 Q. Lost income tax and lost sales tax
14 revenue?

15 A. Certainly.

16 Q. And perhaps even the need to increase
17 property taxes or trim spending and services?

18 A. It might be difficult to increase
19 property taxes in that circumstance.

20 Q. Perhaps the more likely result would
21 be a trend service or a cut back on services?

22 A. Either that or there may be an
23 increased share assumed by the province - because, of
24 course, municipalities are wards of the province - of
25 the municipal tax base. I don't know how it would work

1 out, but it may be that would have to take up a greater
2 share.

3 Q. Okay. And a personal impact would
4 include such matters as reduced local career
5 opportunities?

6 A. There are fewer job opportunities
7 because -- directly in the mill and indirectly in those
8 companies supplying the mills and pizza places and the
9 laundromats. Yes, of course, that's right.

10 Q. Reduced standard of living in those
11 communities?

12 A. The jobs that are left -- for those
13 who remain employed maybe not. You are getting into an
14 area here which is pretty -- you know, is the person's
15 welfare worse off. If they still have their job, maybe
16 not, but for those who have lost their jobs, certainly
17 there welfare would be reduced.

18 Q. Yes. And reduced value of property,
19 of homes.

20 A. Yes, very likely if people have to
21 leave town to find somewhere else, the real estate
22 market would be not good.

23 Q. Another socio-economic effect would
24 dislocation, family separation.

25 A. I have read studies that say that. I

1 believe that is true.

2 Q. There could even be an increased
3 local crime rate or family health problems?

4 A. Again I have seen statistics that
5 suggest that high unemployment leads to illnesses and
6 other social problems.

7 Q. So in looking at the potential
8 socio-economic impact on forest dependent communities
9 in the north there are a number of factors that have to
10 be considered which we have just discussed?

11 A. Yes, I think so.

12 Q. Now, in terms of the health of the
13 forest industry, I believe many of the figures that you
14 have shown in your charts showing growth are provided
15 in current dollars?

16 A. They are.

17 Q. And this would include the impact of
18 inflation; would it not?

19 A. They are in nominal terms, therefore,
20 they don't take account for inflation, that's right.

21 Q. And you will recall, I am not sure if
22 you would have answered this, but in respect of our
23 Interrogatory No. 5 this was made clear and I believe
24 there were even figures given showing constant dollars
25 but by way of comparison?

1 A. I did -- in my Figure 5, page 144 I
2 did try and show real value added in '81 dollars and in
3 the answer to the interrogatories we did provide index
4 factors so that you could convert value added nominal
5 to real value added or you could convert many of the
6 tables from nominal to real terms.

7 Q. Is it fair to say that if the impact
8 of inflation were removed that the general picture
9 would be one of broad stability within a cyclical
10 framework rather than one of constant growth as the
11 current data might suggest?

12 A. Absolutely. That is true, that is
13 true.

14 Q. But you can't rely upon the apparent
15 continued growth that the current dollar data would
16 indicate without taking into account the inflation
17 factor?

18 A. I think you have to and I didn't
19 because I wanted to use data that anybody else could
20 get their hands on but, generally, yes, broad stability
21 within a cyclical framework is a fair answer.

22 MR. COSMAN: Now, I will be filing those
23 in due course, those answers, Mr. Chairman.

24 Q. I would like now perhaps to turn to
25 your colleagues and explore some of the other concepts

1 and evidence that was in the report and perhaps Mr.
2 Andersen, the description of cyclicalality. Can you just
3 assist me as to what this means?

4 And if you wish to defer one to the
5 other, I have no objection at all in answering these
6 questions.

7 DR. ANDERSEN: A. Your question is the
8 definition of cyclicalality?

9 Q. Yes, yes.

10 A. The concept?

11 Q. Yes.

12 A. In terms of a business or an economic
13 cycle?

14 Q. That's right.

15 A. I would be, myself, thinking in terms
16 of the effect of that business or economic cycle would
17 be having on the industry in question or on the
18 sub-components of the industry. In other words, what
19 is the sensitivity of parts of that industry to the
20 business climate as the business climate changes.

21 Q. All right. And in respect of the
22 wood industries I think you have described the
23 demand -- you have described demand cyclicalality as
24 being a significant issue.

25 A. Yes, that's correct.

1 Q. And why is that?

2 A. It is because the housing sector to
3 which the wood industry is fundamentally linked is the
4 most cyclical of all economic demand sectors, the most
5 responsive to rising interest rates.

6 Q. You referred in your evidence to an
7 increasing renovation market in the U.S.

8 A. Yes.

9 Q. Will you agree with me that that
10 increased renovation market will not offset the gaps in
11 Canada caused by low housing starts?

12 A. Yes, that was the point that I would
13 make, that I was concerned that we don't have the
14 assurances that there will be a complete offset.

15 Q. All right. Now, in terms of the pulp
16 and paper, is it -- and I believe it was Mr. -- I am
17 not sure if it was you Mr. Anderson or not, whether you
18 made reference to the fact that profit cyclicity is a
19 significant issue?

20 A. I think we both did. In my closing
21 remarks on Friday, I mentioned that while pulp and
22 paper consumption seemed to be different from lumber
23 during an economic downturn, that it tended to level
24 out in terms of real consumption. I did make the point
25 that in terms of profitability there seemed to be a

1 considerably greater impact than on the level of
2 consumption of the end product.

3 Q. So when you have a cyclical
4 profitability, you will have peaks and valleys as you
5 would on a demand graph?

6 A. In the case of the pulp and paper
7 industry the peaks and valleys are pronounced during
8 economic cycles, yes, and that is contained in the
9 evidence package in the chart that Mr. Duncanson put on
10 the screen on Friday.

11 Q. And what are the impacts of low
12 profitability?

13 A. On the industry in particular?

14 Q. Yes, yes. And then we can all carry
15 that through to the communities in which the industry
16 operates.

17 A. Yes.

18 Q. But what are the impacts of low
19 profits on the industry itself?

20 A. I can answer that question in part,
21 but for the Board's -- I think the Board's information
22 perhaps Mr. Duncanson should be more specific as my
23 role is more of a macro-economic forecaster than a
24 specific industry expert, as you will.

25 Q. Yes. Well, perhaps both of you

1 might -- why don't you start and your colleague can
2 then give his evidence on the subject as well.

3 A. My view is that profit cyclicity
4 makes it a difficult industry to operate in. Obviously
5 if an industry has a smooth trend in profits, the
6 pressure on decision-making is not as great as if
7 profits are swinging considerably as the economic cycle
8 unfolds.

9 MR. DUNCANSON: A. Okay. On a more
10 micro-sense referring to -- I will include the forest
11 products industry as a whole here. As we have
12 identified, there are differences on the demand side
13 between the wood industry and the pulp and paper.

14 Lower profitability or profitability
15 swings in the industry by and large, as profits begin
16 to erode, probably the first stages would be there
17 would be cutbacks by the company in general -- the
18 industry in general the company specific on capital
19 expenditures. If it is a publicly-owned company,
20 probably the next body of people that would be hard hit
21 would be the shareholders who would be faced with
22 reduced dividends.

23 The third level as we are decreasing I
24 guess in profitability would be the level of wages. We
25 would have to have some sort of give and take on the

1 wage front. Then if the profitability continued to go
2 down, there would be an impact I guess on operating
3 rates at the mill level. The mill would have, if they
4 were in a loss position, they would have to trim back
5 their losses and the only way to do that would be to
6 cut back on product -- on production.

7 Q. And then we are dealing with what I
8 was discussing with Ms. Coke anything from reduced
9 expansion right through to mill closure?

10 A. That's correct.

11 Q. All right. Now, at page 204 you have
12 a graph showing a net income of Ontario forest industry
13 product companies and I believe it is fair to say
14 that -- and I think as you have said, that industry is
15 at the top of the cycle on that particular chart?

16 A. Yes.

17 Q. And you have indicated that - maybe
18 you haven't. You indicated that it will decline in the
19 future, but is there any way you can tell us as to how
20 far it will decline?

21 A. As I indicated on Friday, we do feel
22 that we are seeing the peak earnings in 1988 and we
23 expect that in 1989, 1990s -- early 1990s, that these
24 levels will decline. It is very difficult to come up
25 with an accurate, you know, reading of all the

1 variables that go into making these forecasts.

2 However, we do feel that operating rates
3 first-hand could be negatively affected, slightly lower
4 as some of the new capacity that I identified comes on
5 stream over the next three to four years. This excess
6 capacity will have an effect of lowering the operating
7 rates, could have an effect on the commodity prices
8 themselves, in fact it could end up with, you know,
9 pressure on them downwards.

10 You add the lower production, lower
11 commodity prices that would definitely indicate that we
12 are at peak earnings at this point.

13 Q. All right. I would like to explore
14 some of those factors that you have described such as
15 the effect of new capacity.

16 You indicated at paragraph 30 that the
17 effect of new North American capacity will be minimal
18 because it is not located in Ontario's major markets?

19 A. I am sorry, where was this reference
20 from?

21 Q. This is at paragraph 30 in the
22 witness statement itself, on page 26.

23 A. I have it.

24 Q. All right. Is it not fair to say
25 that increased global capacity will have the effect of

1 reducing profitability?

2 A. Increased global capacity will have
3 an effect on operating rates world-wide. They may vary
4 from region to region depending upon the inner market
5 relationship and they are going to vary market to
6 market by product as well. But if operating rates were
7 to be lowered in a certain region because of capacity
8 expansion, it would be logical to expect that the
9 profitability would be affected as well.

10 Q. Is it fair to say that there has been
11 some expanding capacity perhaps even since you have
12 written your report that will affect Ontario markets.

13 A. Yes, there have been a number of
14 expansions that have been announced since we wrote the
15 report. There have been one or two deferments as well.

16 Q. Okay. The ones that have been
17 announced, can you assist us with what they are?

18 A. They will be -- in Ontario
19 specifically, there was an announcement earlier in the
20 summer of a new newsprint machine that will be built
21 based solely on recycled material, recycled newsprint
22 primarily, that will be built in the Toronto area. The
23 product from this mill will be basically recycled
24 newsprint and -- let me just refer to my capacity chart
25 here.

1 I am just talking about newsprint right
2 now. And then the only other one is a decision that
3 still has not been finalized, I haven't seen the final
4 press release on it, that a Quebec producer in the
5 Three Rivers area will be putting in a new newsprint
6 machine, but this will be taking out some existing
7 capacity. So I am not sure of either the net increase
8 or the actual timing or, in fact, whether that mill
9 will be going ahead.

10 That particular producer is on strike
11 right now and at one of its larger mills and this may
12 have an impact on whether that project proceeds or not.
13 Sorry, did you want me to complete the list?

14 Q. Continue, yes, please.

15 A. From the other grades of paper on our
16 table on page 196, I know of no other major additions
17 or deletions from that.

18 Q. Okay. When you have described, as
19 you have on Exhibit 197, the market for Ontario forest
20 products, am I not right that you are describing the
21 principal markets, because I am advised that in fact
22 the Ontario markets go -- are much larger than the
23 2,000 mile semi-circles that you have drawn?

24 A. They are -- well, I think that there
25 probably is the odd mill that may ship further than

1 2,000 kilometres, but I can't say there would be a
2 tremendous amount of volume.

3 You know, we used these 1,000 and 2,000
4 kilometre semi-circles because that basically is your
5 one or two-day trucking range from most of your
6 northern Ontario centres or your rail haul points.

7 Q. But I intend to lead evidence that in
8 fact Ontario forest products go right down to the
9 southern part of the United States outside of your
10 territory and you are not disagreeing with that, you
11 just recognize that as the principal market?

12 A. No. Yes, we are calling that the
13 principal market. I have no doubt that they do ship --
14 I mean the statistics show that Ontario producers do
15 ship off shore as well.

16 Q. That's right, Abitibi-Price, I
17 understand, ships to 34 countries and that's part --

18 A. From their Ontario mill?

19 Q. Yes.

20 A. Okay.

21 Q. So there are market areas outside of
22 the principal market area that you have described in
23 your evidence?

24 A. Yes, there are.

25 Q. Right. And so when you are talking

1 about increased capacity outside of that market, that
2 is the principal market area, you must take into
3 account, must you not, the increased capacity in the
4 south, the southern United States which also competes
5 in the market area that Ontario industry serves?

6 A. Yes, you do.

7 Q. And I understand there are, for
8 example in Alberta, there is expanding capacity that
9 would affect Ontario products that are going to the
10 western and mid-western markets?

11 A. Yes.

12 Q. Okay. So that I think just in
13 fairness you were describing the principal market area
14 and when you said that, as you did, that the effect of
15 new capacity should be minimal, you are talking in
16 terms of the principal market area for Ontario
17 products?

18 A. Yes, and then again you have to
19 define it by product. Are you referring solely to
20 newsprint?

21 Q. Yes, at this time.

22 A. Okay. Yes, that would be the case
23 for newsprint.

24 Q. Okay. Now, again one of the points I
25 believe that was made in your paper that the fiber

1 quality of northern Ontario is excellent for newsprint.
2 Is it not true that Quebec and Manitoba, which are two
3 of our competitors, have equally fine quality fiber?

4 A. I would say Quebec, yes, but not --

5 Q. Not northern Manitoba? I am advised
6 that northern Manitoba also supplies similar quality
7 fiber.

8 A. It is part of the -- the part of the
9 boreal forest swinging through there, but I am not that
10 familiar with the wood fiber of northern Manitoba or
11 the supply.

12 Q. But you would agree that Quebec has--

13 A. Yes, Quebec...

14 Q. --has a similar fiber and that is an
15 area -- and Quebec producers are competitors with
16 Ontario producers on the sale of pulp and paper?

17 A. Into certain markets.

18 Q. Okay. Now, one of the positive
19 aspects of Ontario's industry that you underline is its
20 proximity to markets primarily in the northern,
21 northeastern U.S. Is it...

22 A. And north central.

23 Q. And north central. Is it fair to say
24 that Quebec has -- in fact, is even closer to the
25 eastern seaboard as a market competitor with Ontario

1 producers?

2 A. I am sorry, can you rephrase that
3 statement?

4 Q. Yes.

5 Are Quebec producers not closer to the
6 eastern seaboard and U.S. south taking into account as
7 well water transportation?

8 A. Yes, in the case of water transport
9 they are closer. Cost wise, I don't know, I am not too
10 up to date on my transportation costs by barge. They
11 are closer to the New England portions of the
12 northeastern U.S.

13 Q. So I am not taking away from you your
14 point that we are close to markets, but I just want you
15 to agree, if you can, that our competitors in Quebec
16 are also close to those markets?

17 A. Yes, they are.

18 Q. All right. Now, certain mills --
19 and, again, when you are talking about Ontario you have
20 to take into account that there are certain mills in
21 Ontario are in different position than other mills in
22 Ontario.

23 A. That is correct.

24 Q. So you have -- you are speaking in a
25 macro-sense about the province but, for example, a

1 land-locked mill may not have the same competitive
2 advantage of transportation as one that isn't
3 land-locked?

4 A. That's correct.

5 Q. Because of high inland transportation
6 costs comparatively, or is that the area that you don't
7 feel terribly comfortable with?

8 A. Well, I do feel that I am fairly
9 comfortable in it, and I feel that the various modes of
10 transportation: Trucking, rail and ocean try to
11 compete very closely together. However, the
12 land-locked mills do have the added disadvantage that
13 they have to transport it to the port of -- the
14 seaport. So, generally speaking, yes, they would be
15 more -- less cost competitive delivered.

16 Q. For example, I am advised that say
17 Kap or Iroquois Falls are effectively precluded from
18 off shore exports because of high inland costs?

19 A. If that is your point, you are
20 correct.

21 Q. So that you can have -- in Ontario,
22 in dealing with one's competitors, one must not look
23 just at the macro-picture but at where the supply is
24 located in Ontario when determining what the effects of
25 the picture are?

1 A. That's correct.

2 Q. All right.

3 MRS. KOVEN: Excuse me, Mr. Duncanson.

4 Are there any large Quebec forest product producers who
5 are not within the corporate group that operates in
6 Ontario? I am not aware of any large independent.

7 MR. DUNCANSON: The majority -- if we are
8 talking newsprint again, your major newsprint producers
9 are Quebec City, Three Rivers and up the Saguenay
10 really from Quebec City. You have one major producer,
11 or one - it is not major - one producer in the
12 northwestern part of Quebec. But, yes, are your
13 correct, they are mostly out along the St. Lawrence.

14 MR. MARTEL: Could I ask a question on
15 rates. The freight rates hauling out of the north,
16 have you looked at whether there are preferential
17 freight rates for hauling, let's say, a certain
18 volume -- once you reach a certain volume then the
19 amount is reduced on goods going south as opposed, for
20 example, coming north?

21 MR. DUNCANSON: Yes, there are
22 competitive rates and I guess as deregulation of the
23 freight system in Canada comes about there will be
24 further changes in pricing, you know, truck versus rail
25 and volume contracts as well.

1 It is a very difficult area to get, you
2 know, the exact figures for and quite a few -- in most
3 of the cases it is a very confidential number between
4 producer and shipper, you know, railway or trucker.

5 MR. MARTEL: Is it not even broken down
6 into zones; the further you are -- the whole freight
7 rate structure, how it affects industry and business in
8 terms of zones that you can ship, let's say, from one
9 community to another and if you happen to be outside of
10 a zone it is much more preferential or much more
11 costly.

12 In other words, you could ship from let
13 us say, Levis, Quebec to Saskatoon cheaper than you
14 could from Levis, Quebec to Kenora. Is that pattern --
15 does that exist?

16 MR. DUNCANSON: I am not familiar on
17 these matters.

18 MR. COSMAN: Okay.

19 Q. Now, I just want to explore with you
20 what you meant by investment climate when you talked
21 about the forest industry. Can you tell me what that
22 term means in the way that you have used it in your
23 report?

24 MR. DUNCANSON: A. The investment
25 climate facing the Ontario forest products industry, we

1 see the issues as they relate to the current health of
2 the industry, the demand for the industry's products,
3 the competitiveness of the Ontario industry and
4 specifically the factors which are driving the
5 industry's investment decisions.

6 Q. And with respect to investment
7 decisions, even if, for example, the investment climate
8 today for the forest industry is attractive, is it fair
9 to say that the industry has to compete with many other
10 industries which also have an attractive investment
11 climate?

12 A. Yes, that would be correct.

13 Q. So when one is speaking of
14 investment -- an attractive investment climate, you
15 have to take into account where dollars might otherwise
16 be invested both in other industry and, as well, in the
17 forest industry in other areas?

18 A. Yes.

19 Q. So, in that respect, do you know or
20 can you tell us what or how attractive the investment
21 climate is for, say, forest industry companies in the
22 U.S. today?

23 A. Again it depends on the regions you
24 are -- and the jurisdictions that you are dealing with
25 and I can't say that I am up to speed enough to speak

1 of those.

2 Q. And so, in that respect, if -- but
3 you do agree that there is competition for investment
4 dollars among industries and among the same industry in
5 different locations?

6 A. Yes.

7 Q. Okay. In terms of the rate of return
8 of the forest industry it is true; is it not, that you
9 can't just look at the peak years you must look at the
10 bad years too, you have to look at the return on a time
11 span basis?

12 A. That's correct.

13 Q. In so doing, that the profit margins
14 of the forest industry do not necessarily compare as
15 favorably with other industry as they might had there
16 been a constant line rather than a cyclical trend?

17 A. Yes, that's correct.

18 Q. Is the profit margin of Ontario
19 newsprint producers a factor which allows them or
20 allowed them to make 22 per cent capital expenditure
21 for this past year?

22 A. Yes, it has.

23 THE CHAIRMAN: Would not that be as a
24 result of accumulated reserves as opposed to a
25 profitable year?

1 MR. DUNCANSON: You are correct. It is
2 probably the profits in '85 -- starting through '85,
3 '86 and '87 as well as the profits so far this year.

4 MR. COSMAN: Q. But we don't know what
5 the profits are going to be over the next ten years?

6 MR. DUNCANSON: A. No.

7 Q. All right. Now, at page 207 of your
8 report you indicated that environmental regulation is
9 not a major cost factor and I believe you clarified
10 that in your evidence to indicate that -- it is 4.6.5
11 at the bottom of page 207.

12 A. Yes.

13 Q. And you clarified that to -- and
14 where you referred to environmental regulation you were
15 referring there to one-time capital cost at the mill
16 level?

17 A. That's correct.

18 Q. All right.

19 Q. You haven't considered regulation
20 costs such as restricted cutting areas or constraints
21 on road building?

22 A. No, I haven't.

23 Q. And you agree that these can impact;
24 wood costs and hence the competitive position of the
25 Ontario industry?

1 A. If it results in a higher cost of
2 wood to the mill, that would impact the competitiveness
3 of the particular mill.

4 Q. And is it fair to infer from your
5 evidence to say that as to what environmental
6 regulations, apart from the one-time capital cost
7 contributions at the mill level, have not really been
8 examined by you and, therefore, you are not in a
9 position to give the Board evidence on that?

10 A. That is correct.

11 Q. But you would agree that they can
12 impact on wood costs?

13 A. That's correct.

14 Q. Thank you.

15 MR. COSMAN: Thank you.

16 THE CHAIRMAN: Thank you, Mr. Cosman.

17 Mr. Castrilli, are you ready to proceed
18 or do you want to take a break at this time?

19 MR. CASTRILLI: Perhaps a ten-minute
20 break so I can move my material to the front, Mr.
21 Chairman.

22 THE CHAIRMAN: Very well. Well, why
23 don't we take the morning break at the moment. We will
24 break for 20 minutes.

25 Thank you.

1 ---Recess taken at 2:05.

2 ---Upon resuming at 2:40 p.m.

3 THE CHAIRMAN: Thank you. Be seated,
4 please.

5 I know this is a silly question, Mr.
6 Castrilli, but do you have any idea of how long you
7 will be at this point?

8 MR. CASTRILLI: Mr. Chairman, I am
9 reasonably pleased to advise the Board that I would
10 think this will be my shortest cross-examination yet.
11 That would put it at approximately a day.

12 THE CHAIRMAN: Are you not feeling well?
13 Okay, thank you.

14 MR. CASTRILLI: But don't hold me to
15 that.

16 CROSS-EXAMINATION BY MR. CASTRILLI:

17 Q. Ms. Coke, if I could begin with you
18 and if I could also make friends with the microphone
19 for the moment.

20 Generally, would it be fair to say that
21 your evidence states in effect that the forest products
22 industry makes a net contribution to the Ontario
23 economy. Would that be a fair statement?

24 MS. COKE: A. My evidence is that the
25 forest products industries contributes -- takes about a

1 2 per cent share, or accounts for about a 2 per cent
2 share of value added in the provincial economy. Yes,
3 it makes a contribution.

4 Q. It makes a net contribution in
5 effect?

6 A. Would you please tell me what you
7 mean by net?

8 Q. Well, let me take you to your
9 evidenceing -- actually it is Exhibit 4 which is the
10 Environmental Assessment Document, page 29.

11 A. Page 29. Okay.

12 Q. I am looking at lines 18 through 27
13 and it states:

14 "The forest products industry is vital to
15 the economic and social well-being of the
16 province, in particular northern Ontario
17 with its numerous forest industry
18 dependent communities. The industry
19 makes a major contribution to the
20 provincial and national economy
21 generating substantial export earnings
22 and offering the potential for
23 considerably more."

24 And the paragraph goes on to talk about
25 taxation and revenues and related issue. Would it be

1 fair to say from that statement that the evidence of
2 this panel is that the forest products industry is
3 making a positive and not a negative contribution to
4 the economy?

5 A. Yes.

6 Q. Thank you. And would it be fair to
7 say that generally the purposes of this panel is in
8 part to describe the socio-economic contribution of the
9 forest products industry to the Ontario economy, in
10 part?

11 A. In part, yes.

12 Q. Can you - now, my questions are still
13 directed to you Ms. Coke - can you confirm for me that
14 there has been no attempt in the Panel 5 evidence, that
15 being Exhibit 191, to quantify the negative economic
16 impacts on other industries such as tourism imposed by
17 the forest products industry?

18 A. There has been no such analysis done
19 in this Panel 5 document, certainly not to my knowledge
20 and my colleagues.

21 Q. Thank you. And have you provided in
22 this panel any economic picture of the contribution of
23 other forest-based industries to the economy of Ontario
24 such as tourism?

25 A. No, that was not what I was asked to

1 do.

2 Q. And would you agree with me, however,
3 that tourism is an economic mainstay of the economy of
4 northern Ontario?

5 A. Tourism has -- I have read reports
6 which say that tourism, mining and forestry are all
7 very important to the economy of the north.

8 Q. I understand you have had an
9 opportunity to look at a Ministry of Natural Resources
10 document The Forest Industry in the Economy of Ontario?

11 A. I have quickly looked through that,
12 yes.

13 MR. CASTRILLI: Mr. Chairman, I would
14 like to make this the next exhibit.

15 THE CHAIRMAN: Exhibit 19 -- sorry,
16 Exhibit 204.

17 MR. CASTRILLI: I believe the witnesses
18 already have copies. (handed)

19 THE CHAIRMAN: Thank you.

20 ---EXHIBIT NO. 204: Ministry of Natural Resources
21 document entitled: The Forest
22 Industry in the Economy of
Ontario.

23 MR. CASTRILLI: Q. Ms. Coke, if I could
24 refer you to page 14, the last paragraph.

25 MS. COKE: A. All right, I found it.

1 Q. It notes:

2 "The forest, mining and tourist
3 industries are currently the three
4 mainstays of the economy in the north
5 providing the majority of employment
6 opportunities."

7 And I basically put the proposition to
8 you in relation to the tourism industry only and you
9 would agree with that proposition; is that right?

10 A. My answer was that I understand that
11 tourism, forestry and mining are the three most
12 important sectors in the economy of the north. Tourism
13 is certainly one of those three.

14 Q. Thank you. Have you reported in your
15 Panel 5 evidence on the economic and social costs and
16 disbenefits to the province arising from environmental
17 pollution from saw mills and paper mills?

18 A. No, I have not.

19 Q. I would like to refer you to page 79
20 of what is now Exhibit 204.

21 MR. COSMAN: What page?

22 MR. CASTRILLI: Sorry, that was page 79.

23 Q. We are again looking at the last
24 paragraph on that page, Ms. Coke.

25 MS. COKE: A. All right.

1 Q. Which states in part:

2 "The presence of the forest industry does
3 provide the potential for some negative
4 effects on recreation and tourism. There
5 are some pollution problems and conflicts
6 sometimes occur between campers,
7 cottagers and back country travelers and
8 the timber harvesting industry."

9 I just want to stop at that point and
10 I'll come back to the remainder of the paragraph in a
11 moment. Would you agree with that part of the
12 paragraph I have read into the record?

13 A. Certainly the forest -- that is true,
14 that's what it says and the potential for those
15 externalities exist.

16 Q. So you agree?

17 A. Yes.

18 Q. Thank you. Going on in the paragraph
19 it notes:

20 "But these conflicts are being minimized
21 and eliminated where possible."

22 Can you advise --

23 MR. CASTRILLI: And this is probably
24 really a question for Ms. Blastorah - which panel will
25 purport to show what the conflicts are, where and

1 document how they have been minimized and eliminated?

2 MS. BLASTORAH: Mr. Chairman, there will
3 be quite a few panels that will be dealing with those
4 matters in various contexts. Certainly the panel
5 dealing with timber management planning, which is Panel
6 15, will deal with it, but also Panels 10 to 13 will
7 address those matters within the context of their own
8 subject matters.

9 MR. CASTRILLI: That's fine, thank you.

10 Q. Ms. Coke, continuing with you. Have
11 you dealt with in Exhibit 191 with such intangibles as
12 the social cost of dependence of northern Ontario
13 communities?

14 MS. COKE: A. No, I have not dealt with
15 those things. I should say that I do not work directly
16 in the area of the forest resources group and I am not
17 often asked to do those kinds of things. I have never
18 been asked to look at those kinds of questions as part
19 of my job.

20 Q. That's fine, but it is not contained
21 in Exhibit 191?

22 A. Exhibit 191 being my evidence?

23 Q. Your evidence.

24 A. No, we do not deal with that in
25 Exhibit 191.

1 Q. And Dr. Andersen and Mr. Duncanson,
2 would you confirm that for your part of the evidence as
3 well.

4 DR. ANDERSEN: A. Excuse me. That is
5 the case for my part of the evidence, yes.

6 MR. DUNCANSON: A. Mine too.

7 Q. Thank you. With respect to the issue
8 of government subsidization of forest products industry
9 can you advise where in the exhibit, which is 191,
10 apart from page 207 you deal with that?

11 MS. COKE: A. Page 207.

12 Q. Apart from page 207.

13 A. The question of government support
14 for forest products industry is not dealt with. It is
15 a report which basically gives an introduction to the
16 statistics of the forest products industry and it just
17 really talks about who is employed, the value add and
18 its contribution to the economy.

19 And I might also add on some of your
20 earlier questions, while it doesn't evaluate the
21 negative impacts on other industries in the north,
22 neither does it look at the positive or reinforcing
23 aspects of this industry on other industries in the
24 north.

25 Q. That's fine. So the answer to my

1 question is, apart from page 207, Exhibit 191 does not
2 deal with the issue of government subsidization?

3 A. No, it does not.

4 Q. Thank you. Would you be aware, quite
5 apart from the fact that it is not in the exhibit
6 itself, whether what is referred to on page 207
7 constitutes the full amount of government subsidization
8 the forest products industry has received since the
9 commencement of the Forest Production Policy in what I
10 guess would be fiscal year 1973?

11 A. I was not asked to look at that as
12 part of my evidence preparation. Is that the question?

13 Q. Well, I was asking you whether you
14 knew in any event?

15 A. No, I do not work in that area and
16 so, therefore, I am not familiar with that information.

17 Q. Actually this report -- this
18 particular page is produced by Mr. Andersen -- or Dr.
19 Andersen and Mr. Duncanson.

20 Can either of you gentlemen advise
21 whether what is set out on that page would constitute
22 the full amount of government subsidization since the
23 commencement of the Forest Production Policy, I believe
24 it is fiscal year 1973?

25 MR. DUNCANSON: A. No, I could not.

1 DR. ANDERSEN: A. No, I could not.

2 Q. Thank you. Do I understand from your
3 testimony the forest products industry is a source of
4 revenues for government through both direct and
5 indirect jobs as an example?

6 Is that correct, Ms. Coke?

7 MS. COKE: A. I didn't go that far. I
8 said that when you are looking at the impact of this
9 industry on the economy, looking at just direct jobs,
10 for example, would be too small a snapshot, you have to
11 look at indirect and induced employment as well.
12 That's what I said.

13 I suppose to the extent that employees
14 pay taxes and corporations pay taxes, that they make a
15 contribution to -- they pay revenues to government.

16 Q. Perhaps I can refer you to page 20 of
17 Exhibit 4. Exhibit 4 is the Class Environmental
18 Assessment Document.

19 A. Page 20?

20 Q. Page 20.

21 A. Okay.

22 Q. Now, in several different places,
23 beginning at lines 17 through 19 you note:

24 "The Ontario forest products industry
25 provides approximately 80,000 jobs

1 directly and approximately the same
2 number of jobs indirectly in support
3 services and industries."

4 And then moving down the page to lines 33
5 through 36:

6 "The forest products industry is also
7 the source of considerable revenues for
8 both the provincial and federal
9 governments."

10 And then it goes on on to the next page
11 to deal with provision of direct government revenues
12 through stumpages and area charges, corporate income
13 taxes, personal income taxes of direct employees, et
14 cetera, et cetera.

15 Did you write this part of the
16 Environmental Assessment?

17 A. No, I did not.

18 Q. Did any of the members of the panel
19 have anything to do with this part of the
20 Environmental Assessment?

21 DR. ANDERSEN: A. No.

22 MR. DUNCANSON: A. No.

23 Q. Do you adopt it, in any event?

24 MS. COKE: A. I don't quite know what
25 you mean by adopt. On the face, I am sure it must be

1 true.

2 Q. Let me ask you this: Would you agree
3 that it is important to know not only what government
4 is collecting through, for example, income tax, but
5 also what government is spending through, for example,
6 highways and schools, hospitals in support of these
7 forest industry dependent communities?

8 A. Is it important to know how much you
9 are spending as much as -- important to what? I am
10 sorry, I don't quite understand your question.

11 Q. Is it not important for the Board to
12 know not only the revenues generated by the industry
13 but also the expenditures the government must spend in
14 relation to that industry?

15 I'm not now speaking of government
16 subsidization of the industry per se, but in terms of
17 the factors I noted such as highways, schools,
18 hospitals?

19 A. Clearly what government spends is
20 important -- it is important to know what government
21 spends. Half the problem is what you count and that's
22 a problem and where do you stop counting.

23 I think there was an answer provided as
24 to how much the Ministry spends, but it is difficult to
25 attribute the spending of an entire ministry or even of

1 a program to a specific industry and then take a
2 broader perspective and look at the spending of the
3 Ministry of Transportation, and Health and Education
4 and it becomes a very difficult problem, how much is
5 government spending in health care to support the
6 specific industry.

7 It is not an easy thing to do. I haven't
8 done it, but I can just imagine it would be difficult.

9 Q. Could I ask you to turn to page 71 of
10 what is now Exhibit 204. We are again looking at the
11 bottom of that page, the last paragraph, the second
12 sentence. It begins:

13 "If we credit..."

14 It goes on to read:

15 "If we credit the forest industry with
16 the generation of indirect employee
17 income tax revenue then likewise one
18 should recognize the indirect costs
19 incurred by different levels of
20 government in the provision of services
21 to the communities dependent upon their
22 employment on the forest industry."

23 The report goes on to page 72 to state
24 at the top of the page:

25 "Many of these government services are

1 social in nature; education, health,
2 protection and security, judiciary and
3 several others come to mind. Other
4 services are more physical in nature such
5 as transportation and the maintenance of
6 its systems, communications, recreation,
7 et cetera, and these indirect
8 expenditures are more appropriately that
9 portion of their costs attributable to
10 forest industry employees and should form
11 a part of this analysis."

12 But again the report goes on to note:

13 "Because of the difficulty in their
14 measurement and appropriation, they are
15 recognized but foregone in the
16 presentation that is the subject matter
17 of this particular report."

18 Being Exhibit 204. But would you agree
19 with me in general that it is important to know not
20 only what government is collecting through income tax
21 but also what government is spending in the manner that
22 is set out on those two pages?

23 A. I think, yes, of course. I mean, the
24 obvious answer is yes, it would be important to know
25 but I think the second part of the answer is it is

1 very, very difficult to know.

2 Q. Difficult, but would you put it at
3 more than difficult?

4 A. I would say that some of the judgment
5 calls you would have to make to carry out those
6 estimates, I mean what percentage of the costs of
7 running this hospital up the street - is it St.
8 Joseph's Hospital - can you attribute is supporting the
9 forest products industry, really tough to do and
10 everybody in this room would have a different estimate,
11 I would suspect.

12 Q. Would you agree though that if it was
13 possible to do this analysis, it should be done?

14 A. It would be great if you could do
15 that, but I think it would be very, very difficult and
16 I think that the judgment required would make it
17 virtually impossible to do. Well, certainly the study
18 you do would be open to lots of questions.

19 THE CHAIRMAN: Ms. Coke, just going along
20 that line, take a hospital.

21 MS. COKE: Yes.

22 THE CHAIRMAN: And obviously a hospital
23 in order to be required or needed depends on
24 population.

25 MS. COKE: Yes.

1 THE CHAIRMAN: If you had a population in
2 an area due to factors other than the forest industry.

3 MS. COKE: Yes.

4 THE CHAIRMAN: Is it not reasonable that
5 that hospital could be needed and not be dependent at
6 all on the forest industry--

7 MS. COKE: That is quite true. The
8 demographics --

9 THE CHAIRMAN: --based on the
10 population...

11 MS. COKE: --could be, yes, exactly,
12 exactly. That's exactly right. So lots of judgments
13 about what percentage, what kind of drugs and what kind
14 of illnesses if there are any, and all those things.

15 MR. CASTRILLI: Q. Can you advise the
16 Board whether, as an economist, you consider it
17 important to take into account the other side of the
18 government revenue balance sheet with respect to the
19 forest products industry; that is, government
20 expenditures of the type I have been describing?

21 MS. COKE: A. I have said in theory I
22 think it is very important to be aware of those things.
23 I have also said to practice it would be very difficult
24 to do that comprehensive and generally accepted job, I
25 think that that's my answer.

1 Q. And in any event, that kind of
2 analysis not in Exhibit 191; is that correct?

3 A. It is not in part of my document, no.

4 Q. Thank you. I also understand from
5 your testimony, Ms. Coke, that technological
6 development in the industry has resulted in changes in
7 the type and form of wood that mills use, in
8 particular, more recently I understand poplar has
9 become a major timber source for mills. Is that right?

10 A. I don't believe that's part of my
11 evidence. Are you taking it from the witness
12 statement?

13 Q. Paragraph 5?

14 A. Paragraph 5. That is not part --
15 that is not my part of the evidence, I can't speak to
16 that.

17 MR. CASTRILLI: Mr. Chairman, I recognize
18 that Mr. Armson wrote the first seven paragraphs of the
19 witness statement and is not on this panel, but I am
20 not entirely certain what MNR's position is with
21 respect to these first seven paragraphs if these
22 witnesses cannot speak to them.

23 MS. BLASTORAH: Well, Mr. Chairman, I
24 made it very clear at the outset that Mr. Duncanson
25 would address those seven paragraphs and if Mr.

1 Castrilli would like to address his questions to Mr.
2 Duncanson, perhaps --

3 MR. CASTRILLI: That's fine.

4 Q. Mr. Duncanson, could you answer the
5 question?

6 MR. DUNCANSON: A. Could you please
7 repeat the question?

8 Q. Yes, I would be pleased to. We are
9 referring to paragraph 5 of--

10 A. Page 22.

11 Q. --Exhibit 191, page 22 and I asked
12 you whether -- well, basically do you agree with
13 paragraph 5, in particular, that recent technological
14 development in the industry has resulted in changes in
15 the type and form of wood that the mills use and that
16 more recently poplar has become a major timber source
17 for the mills?

18 A. I wouldn't use the word major, it is
19 becoming more important.

20 Q. So I can cross out the word major in
21 that paragraph?

22 A. Yes.

23 Q. Do you have any other disagreements
24 with the paragraph or would you otherwise agree with
25 it?

1 A. I would otherwise agree with it.

2 Q. And I also understand from your
3 testimony - and now I am actually referring to
4 paragraph 29 of your evidence - that the fiber quality
5 of northern Ontario softwood is unsurpassed for the
6 manufacture of higher quality newsprint and printing
7 and writing grades of paper.

8 I presume you agree with that?

9 A. Yes, I agree with that.

10 Q. Are you in a position to confirm
11 whether poplar is being used more by the industry?

12 A. Yes, I can confirm.

13 Q. And what is your understanding of the
14 reason for that?

15 A. In the pulping process there have
16 been technological advances that have led to
17 improvements in pulping technique that have allowed a
18 wider range of species to be used in the particular
19 process. The particular process I am referring to is
20 kraft pulp.

21 Q. Would you know whether the increased
22 use of poplar is also a function of the depletion of
23 the softwood forests in Ontario?

24 A. I could not answer that.

25 Q. Would you agree with the general

1 statement that there is no market for poplar except
2 perhaps as hardwood pulp?

3 A. No, I wouldn't.

4 Q. Do you have in front of you the
5 Ministry of Trade and Technology Report, 1986. I
6 believe you were given notice of it on the weekend or
7 Friday?

8 A. What was the date on it?

9 Q. 1986. Front cover of it would say
10 October 14, 1986.

11 A. Right, I have it.

12 MR. CASTRILLI: Mr. Chairman, I would
13 like to make this the next exhibit.

14 THE CHAIRMAN: Exhibit 205.

15 ---EXHIBIT NO. 205: Ministry of Trade and Technology
16 Report dated October 14, 1986.

17 MR. CASTRILLI: Q. Am I correct that
18 each of the panel members has a copy of that report?

19 MS. COKE: A. Yes.

20 MR. CASTRILLI: (handed)

21 THE CHAIRMAN: Thank you.

22 MR. CASTRILLI: Q. I am referring to
23 page 14. I am looking at the last item on the page
24 under the heading: Opportunity for New Initiatives in
25 the Forest Industry. It states:

1 "There is an obvious shortage of jack
2 pine in the northwestern region. It is
3 doubtful that sufficient volumes of
4 spruce and balsam fir can be obtained
5 without generating excessive volumes of
6 poplar for which there is no market
7 except perhaps as hardwood pulp."

8 Mr. Duncanson, would you agree with that
9 assessment.

10 MR. DUNCANSON: A. The shortage of jack
11 pine in the northwestern region, I am not qualified to
12 agree with that part, whether it is obvious or not.

13 Q. What about the last part of that
14 statement?

15 A. And, again, I am not qualified enough
16 to say whether it really is doubtful that there is
17 sufficient volumes of spruce and balsam fir.

18 Q. And the last part of that sentence
19 after the comma which says:

20 "...with respect to poplar. There is no
21 market except perhaps as hardwood pulp."

22 Would you agree with that assessment?

23 A. No. Clearly the waferboard mills in
24 the northwestern region are using poplar.

25 Q. So you would expand that to include

1 hardwood pulp and waferboard?

2 A. Yes.

3 Q. As an economic planner does it
4 concern you that if softwood is necessary for the
5 production of higher quality newsprint and paper the
6 existence of increasing quantities of poplar in thge
7 Crown forests of Ontario may not be adequate to meet
8 that need?

9 MS. BLASTORAH: Mr. Chairman, we didn't
10 swear Mr. Duncanson in -- he is not qualified as an
11 economic planner, he is qualified as a financial
12 analyst and I just don't want to mislead the Board as
13 to his qualifications in that regard.

14 MR. CASTRILLI: Q. Can you answer that
15 question in your capacity as a securities analyst?

16 MR. DUNCANSON: A. Could you repeat the
17 question, please?

18 Q. Just substitute -- how are you
19 qualified, as a financial analyst. As a financial
20 analyst does it concern you that if softwood is
21 necessary for the production of higher quality
22 newsprint and paper, the existence of increasing
23 quantities of poplar in the Crown forests of Ontario
24 may not be adequate to meet that demand?

25 A. No, I think that the longer fiber,

1 softwood fiber is essential for the production of
2 higher quality newsprint. But poplar is a very -- is a
3 suitable substitute in making higher quality paper.

4 Did I make myself clear to the Board?

5 MR. MARTEL: That is not cheap paper you
6 are talking about, you are talking about high quality
7 paper?

8 MR. DUNCANSON: It is the type of paper
9 we are reading from right now. It can be classified as
10 high quality and you could use poplar to make this.

11 MR. CASTRILLI: Q. Dr. Andersen, do you
12 disagree with Mr. Duncanson?

13 DR. ANDERSEN: A. I am not qualified to
14 answer that question, it is outside of my area of
15 expertise as an economic forecaster.

16 Q. Okay. Well, as an economic
17 forecaster, you have made projections with respect to
18 demand in your evidence-in-chief; did you not?

19 A. Yes, I made projections with respect
20 to consumption trends in the United States for
21 newsprint and printing and writing paper.

22 Q. Well, in that capacity would you
23 agree that if softwood -- I'm positing it as if - if
24 softwood is necessary for the production of higher
25 quality newsprint and paper, the existence of

1 increasing quantities of poplar in Ontario forests, and
2 if that is also true, would that not create a problem
3 with respect to whether you could meet the demand or
4 not?

5 A. I wouldn't know.

6 Q. You wouldn't know. You cannot give
7 me an answer with respect to a demand question?

8 A. I am forecasting the consumption in
9 the United States -- the consumption of newsprint and
10 the consumption of printing and writing paper.

11 MS. BLASTORAH: Mr. Chairman, again, it
12 was made very clear during Dr. Andersen's evidence that
13 when he referred to demand he was talking about end
14 product demand, it was not demand at the mill level
15 door.

16 THE CHAIRMAN: And he is not making any
17 forecast with respect to supply of any particular
18 specie.

19 MS. BLASTORAH: No, he is not. He did
20 not address his evidence to species at all.

21 MR. CASTRILLI: Mr. Chairman, he did give
22 evidence with respect to newsprint and paper and demand
23 in relation to both; did he not?

24 THE CHAIRMAN: Yes, but as I understood
25 it and the Board understood it, he made forecasts with

1 respect to the demand by U.S. consumers or consuming
2 industries.

3 MR. ANDERSEN: That is correct, the
4 market served by Ontario producers.

5 THE CHAIRMAN: For newsprint, but he said
6 nothing, that I can recall, about the supply side in
7 Ontario of the necessary species to meet that demand.

8 MR. CASTRILLI: I will move on.

9 Q. Ms. Coke, I understand from your
10 testimony - I am referring to paragraph 9 - that the
11 forest products industry has held a stable position in
12 the provincial economy.

13 And that is your testimony; is that
14 right?

15 MS. COKE: A. Can I just get the
16 paragraph first.

17 Q. Paragraph 9.

18 A. Okay. Yes. I think what I was
19 saying there essentially is that it has held about --
20 because it has held about a 2 per cent share of GPP of
21 the overall provincial economy, that that would seem to
22 be a fairly stable share.

23 And also, overall its employment -- the
24 employment in the industry appears to be stable.
25 Obviously there are cycles and I have mentioned those

1 and showed those in my data. But, overall, it has held
2 a stable share of GPP and employed about 72,000 people
3 overall over a 15-year period.

4 Q. With respect to the issue of
5 employment, you would agree that there has been quite a
6 pronounced year-to-year fluctuation in logging
7 employment; is that right?

8 A. There have been quite marked cycles
9 and I did include in my evidence a diagram which I also
10 put on the board or put up which showed those cycles,
11 that is correct.

12 Q. Figure 10; is that right?

13 A. Figure 10, yes. That's correct.

14 Q. And your evidence was also that there
15 has been a 10 per cent decline in employment in the
16 logging and paper and allied industries; is that right?

17 A. No, I said -- in fact, can I just
18 find the actual part of my document.

19 Q. Paragraph 10.

20 A. Yes. 72,000 in page 56 -- page 57:
21 "Notwithstanding steady growth in value
22 added across the industry, there has been
23 an 11 per cent decline in the absolute
24 number of logging jobs and a 9 per cent
25 fall-off in PAI employment over the

1 70-85 period offsetting these reductions.
2 However, there has been an increase of 45
3 per cent from 16 to 23,000 in the number
4 of jobs in the wood industry sector."

5 Q. Ms. Coke, that wasn't my question.
6 My question was in relation to just logging and allied
7 paper. And if you refer to paragraph 10 of your
8 evidence, which is the paragraph I was referring to.

9 A. Paragraph 10, sorry. Okay. Okay, I
10 see. Yes, okay.

11 Q. And your answer is yes?

12 A. Yes.

13 Q. And your testimony is that these
14 marked fluctuations are not inconsistent with the
15 notion that the industry is holding a stable position
16 in the provincial economy; is that right?

17 A. Well, no. What I am saying is that
18 the industry held about a 2 per cent share of gross
19 provincial product in 1970 and I think there is -- it
20 is somewhere else in the document, and it continues to
21 hold that share.

22 Given what has happened in the economy
23 over the last 15 years, that is a fairly good
24 performance because there has been lots of changes in
25 the economy in the last 15 years and it is still 2 per

1 cent.

2 Q. Would it be fair to say that even if
3 the demand is stable fewer employees are producing the
4 wood in those two sectors, logging and paper and allied
5 industries?

6 A. I am not sure about logging, I didn't
7 look at that. But the information that I have read
8 would suggest that paper and allied has become more
9 capital intensive in the last 15 years and so,
10 therefore, that means that it takes fewer employees,
11 fewer people to produce the same or more output.

12 Whereas, of course, wood industries would
13 tend to be more labour intensive and so if there is an
14 increase in output in those industries they would
15 probably be -- it would have a higher input -- it would
16 tend to have a higher employment impact.

17 Q. You said you weren't sure about
18 logging?

19 A. Logging, I am not that familiar with
20 logging technology and what has been happening in the
21 logging, you know, whether in fact -- I do know that
22 output overall from the forest products sector has
23 increased and that would suggest that they are using as
24 much, if not more, roundwood.

25 So if we are holding our own in terms of

1 supplying the demand for more wood industry output and
2 more paper and allied industry output, maybe -- that
3 would suggest to me that logging is also becoming more
4 capital intensive, but I don't know for sure. I am not
5 that close to that industry.

6 Q. But, in any event, logging employment
7 has declined as you note in paragraph 10?

8 A. That is what I said. That is what I
9 have said in that paragraph and on page 57 as well,
10 yes.

11 Q. Thank you. I would like to refer to
12 one of my interrogatories. It will be Question 5, Ms.
13 Coke. Do you have that one?

14 A. No, I don't.

15 Q. (Handed)

16 A. Thank you.

17 MR. CASTRILLI: Mr. Chairman, I ask this
18 be made the next exhibit.

19 THE CHAIRMAN: Exhibit 206.

20 ---EXHIBIT NO. 206: Interrogatory Question No. 5 posed
21 by CELA.

22 MR. CASTRILLI: Q. Now, I understand --
23 well, the question we asked in our Question 5 was:

24 "How many companies own all of the
25 newsprint production capacity in

1 Ontario?"

2 And from your answer you indicate that:

3 "It is owned or controlled by the six
4 firms that are outlined on that page."

5 Is that right?

6 MS. COKE: A. That's correct.

7 Q. And I also understand from other
8 evidence in Exhibit 191 that the four companies that
9 were interviewed, I presume by either Mr. Duncanson or
10 Dr. Andersen, represent in total approximately 75 per
11 cent of the pulp and paper capacity in Ontario.

12 Is that right, Mr. Duncanson?

13 MR. DUNCANSON: A. That's correct.

14 Q. I also note, Ms. Coke, in your
15 evidence, in particular paragraph 12 on page 23, that
16 the size of forest product industry firms and their
17 production focus is diverse?

18 MS. COKE: A. Yes, that's true.

19 Q. Would you agree with me that this
20 diversity means that there are few large companies that
21 dominate the forest products industry and that there
22 are many smaller companies that play a relatively minor
23 role?

24 A. I think it would be fair to say that
25 the industry should be looked at on a

1 component-by-component basis. Because of the kind of
2 capital investment required and the size of the plant
3 and equipment required to produce a lot of pulp and
4 paper, clearly there aren't that many of them, there
5 tend to be a lot -- that is not very large ones.

6 But then when you look at sort of
7 converting activity, those would probably be smaller
8 firms, paper converting firms. Meanwhile you look at
9 saw mills, saw mills range in size. There can be
10 large, larger saw mills and smaller saw mills.

11 In terms of logging, I led evidence that
12 suggested that they were -- there seemed to be support
13 for the fact that there were lots of small operators in
14 the logging sector but they didn't account for the
15 majority of the cut. So, therefore, there are probably
16 lots of small, medium and large logging firms as well,
17 but that is the best I can do.

18 Q. With respect to newsprint production,
19 would you agree with --

20 A. I can't answer that, I am not
21 qualified. I don't know maybe colleagues could do it.

22 Q. Mr. Duncanson?

23 MR. DUNCANSON: A. Yes, could you reword
24 that?

25 Q. Yes. Would you agree with me that

1 the diversity that Ms. Coke is referring to in
2 paragraph 12 in relation to the newsprint part of the
3 industry means that there are few large companies that
4 dominate that part of the industry and that there are
5 many smaller companies that play a minor -- relatively
6 minor role, or mill companies in that case?

7 MR. DUNCANSON: A. In the newsprint
8 business internationally, there are basically only
9 large players.

10 Q. So the statement is true for Ontario?

11 A. Ontario has probably a greater
12 ownership of newsprint mills than any other
13 jurisdiction in Canada.

14 Q. Are there any other than these six
15 in Ontario?

16 A. There are six in Ontario.

17 Q. So they dominate this part of the
18 industry; do they not?

19 A. In Ontario?

20 Q. Yes.

21 A. Yes, they do.

22 Q. Thank you. Now, page 39, I believe
23 we are still -- this would still be Ms. Coke's
24 evidence, you refer to a number of definitions.

25 MS. COKE: A. Right. I have found it.

1 Q. The ones I am particularly interested
2 in are gross national product, gross domestic product
3 and gross domestic product by industry.

4 Can you confirm for me that these three
5 measures exclude all non-economic benefits and costs so
6 that they are really only a partial measure of the
7 well-being of society?

8 A. They do.

9 Q. Your answer is yes?

10 A. As I understand it, yes.

11 Q. Your answer is yes? Sorry, Ms. Coke,
12 your answer is...

13 A. Yes. My answer is yes.

14 Q. I would like to refer you to Figure 2
15 which is on page 46.

16 A. Right.

17 Q. Just looking at the figure as it is,
18 I recognize it is in -- keeping in mind your discussion
19 with Mr. Cosman during his examination of you that it
20 is in current dollars on that page.

21 A. That is correct.

22 Q. Would it be fair to say that the
23 figure implies that the contribution of the forest
24 products industry to the Ontario economy is generally
25 increasing?

1 A. In nominal terms, yes.

2 Q. And we don't have a picture for it in
3 real terms; is that right?

4 A. I did not do that graph.

5 Q. Did you qualitatively describe what
6 you thought it would look like if you had in response
7 to one of Mr. Cosman's questions?

8 A. I am sorry, I don't quite understand
9 your question.

10 Q. What would the graph have looked like
11 if you had done this in constant dollars?

12 A. I haven't done it. I have -- I
13 haven't done it, so I really -- as far as I understand,
14 that it would still be upward sloping.

15 Q. You think it would still be upward?

16 A. Yes.

17 Q. Thank you. Would it be fair to say
18 that in percentage terms there has been a decrease or a
19 stagnating contribution by the forest products industry
20 to the Ontario economy over time?

21 A. No.

22 Q. No.

23 A. I don't think so.

24 Q. I refer you to Exhibit 61, that is
25 the Woodbridge Reed Report.

1 A. Oh, 61. Okay.

2 Q. We are looking at page 6.

3 MR. CASTRILLI: Mr. Chairman, it is on
4 the other side of your copy of the Class Assessment.

5 MR. MARTEL: What page?

6 MR. CASTRILLI: Page 6.

7 Q. Ms. Coke, in the middle of that page
8 the authors of the Woodbridge Reed Report state:

9 "The contribution of the forest products
10 industry has been stagnant or declining
11 over time on a percentage basis as shown
12 in Figure 3.2."

13 Which is also on that page. Do you have
14 that?

15 MS. COKE: A. Yes, I am looking at that
16 page, yes.

17 Q. Do you agree with that assessment?

18 A. It doesn't accord with the numbers
19 that I have, but I haven't had a chance to really look
20 at the background data. But it doesn't tell me whether
21 this is in real or nominal terms and it doesn't tell me
22 very much about -- I don't see the data that it is
23 based on.

24 I would like -- you know, I would like to
25 look at those numbers. It certainly doesn't look -- 2

1 per cent, if you look at my numbers, just to sort of
2 try and compare, 2 per cent -- we have held a 2 per
3 cent share. Now, 2 per cent is not a declining share.
4 If it is 2 per cent over 15 years it is the same share,
5 other things may have happened but it is still 2 per
6 cent.

7 Q. When you say you don't know what the
8 source for the numbers are...

9 A. I can't see a source here named,
10 Statistics Canada, but I don't know whether this is
11 real or nominal, and I don't know if this is at factor
12 cost or market price. There is a lot not known in this
13 table. It doesn't accord with the information that I
14 have got available to me.

15 Q. All right. But in real or nominal
16 terms, in your evidence you indicate that the
17 contribution would be increasing?

18 A. Yes, holding its own.

19 Q. So whether or not --

20 A. As a share of GDP, holding its own.

21 Q. So whether or not Figure 3.2 in
22 Exhibit 61 is in real or nominal terms, the assessment
23 of the authors is that it has in fact been stagnant or
24 declining?

25 A. That is what they are saying.

1 Q. So clearly--

2 A. That is what they are saying.

3 Q. --there is a difference of opinion
4 between yourselves -- or yourself and the authors of
5 the Woodbridge Reed Report; is that correct?

6 A. Yes, that would seem so.

7 THE CHAIRMAN: Ms. Coke, is the term in
8 your terminology 'holding its own' the same as
9 stagnant?

10 MS. COKE: If stagnant means not growing
11 as a share of gross provincial product, yes. That is
12 what you are trying -- you know, that is what the point
13 is.

14 MR. CASTRILLI: Q. Ms. Coke, would it be
15 fair to say that the existence of this other view in
16 the Woodbridge Reed Report is something the Board
17 should be made aware of and consider?

18 MS. COKE: A. I am sorry, I don't
19 understand.

20 Q. Would the existence of this other
21 view as stated by the Woodbridge Reed Report be
22 something the Board should be aware of and consider in
23 comparison to your report?

24 MS. COKE: A. I presume so, yes.

25 Q. Thank you.

1 MS. BLASTORAH: Mr. Chairman, in fairness
2 I don't think it is up to Ms. Coke to tell you what you
3 should be aware of or assume.

4 THE CHAIRMAN: We might consider all
5 sorts of things, Mr. Castrilli, those reports being two
6 things, and we might look at other things as well.

7 MR. CASTRILLI: I wasn't excluding the
8 universe of other things, I wanted to be sure we could
9 include the universe of these two.

10 THE CHAIRMAN: Well, they are both before
11 us so obviously we may consider them.

12 MR. CASTRILLI: Q. Just a point of
13 clarification, Ms. Coke. I am wondering if I could
14 refer you to page 144 of your evidence. It is the
15 backup table for Figure 5.

16 MS. COKE: A. 144, total value added,
17 yes, okay.

18 Q. I am wondering if you could explain
19 the chart very briefly?

20 A. Okay. What I have done is I have got
21 logging, wood industries and paper and allied
22 industries value added from 70-85 and I have got a
23 nominal amount and then I tried to -- I got a total
24 real amount also which I had got from another source,
25 but I wasn't able to -- that source did not allow me to

1 break out logging and so, therefore, I had to make some
2 estimates as to what share logging held, what share
3 wood industry held and what share paper and allied
4 industry held.

5 So that -- and I had to attribute those
6 to the real amounts. Is that adequate?

7 Q. I just wanted to have your
8 explanation on the record of what the purpose of Figure
9 5, the backup table was. If that is a -- is that a
10 complete explanation of what its content?

11 A. I believe so, yes.

12 Q. Now, your evidence has also been that
13 over all employment in the forest industry has remained
14 fairly stable. That is actually page 56.

15 A. 56.

16 Q. You do go on to note:

17 "There have been fluctuations within
18 certain industry sub-groups."

19 Is that right?

20 A. That's correct.

21 Q. And if we look at Figure 9 on that
22 page, page 56, is it fair to say that what that table
23 is conveying to the viewer is a fairly stable picture
24 from 1970 to 1985.

25 A. It would seem to be.

1 Q. Your answer is yes?

2 A. Yes, overall.

3 Q. Would it be fair to say that the
4 industry's employment has in fact been highly cyclical?

5 A. It would be fair to say that, as I
6 answered earlier today, that it has been fairly stable
7 within a cyclical framework. There have been two major
8 downturns according to the data that I looked at; one
9 in the middle 70s and one again in the early 80s, but
10 that would be -- so those major downturns are quite
11 notable, but yes.

12 Q. Exhibit 61, page 10.

13 A. That is page 10 of Woodbridge Reed?

14 Q. Yes, that's right we are looking at
15 the last paragraph on that page which states:

16 "The forest products industry's
17 profitability like its employment has
18 been cyclical. Figure 3-8..."

19 Which is actually on the next page, page
20 11:

21 "...displays the dramatic swings in
22 fortune for both the wood and paper and
23 allied industry industries in Canada.
24 This cyclical performance further
25 contributes to the poor image of the

1 industry outside of the local
2 communities."

3 A. I am not qualified to speak to that,
4 one of my colleagues could.

5 Q. Would that be Mr. Duncanson?

6 A. Yes.

7 MR. DUNCANSON: A. Yes.

8 Q. Just before I ask you to answer the
9 question, Mr. Duncanson, perhaps we could just refer
10 quickly to Figure 11 -- excuse me, Figure 3-8 on page
11 11 which the authors of Woodbridge Reed indicate
12 reflects a highly cyclical performance with respect to
13 employment among other things.

14 Would you agree with the assessment of
15 the authors of Exhibit 61 at the bottom of page 10?

16 THE CHAIRMAN: Mr. Castrilli, don't the
17 two figures, Figure 3-8 in Exhibit 61 and Figure 9 in
18 Exhibit 191 in terms of thousands employed essentially
19 show the same thing?

20 MR. CASTRILLI: They cover the same
21 period.

22 THE CHAIRMAN: In terms of the numbers,
23 one is a graph that is more up and down, but when you
24 look at the bottom of Figure 3-9 where it goes down to
25 just below 70,000 employed and then it goes up to

1 80,000 employed, does that not sort of follow the same
2 line in Figure 9, except it is a flatter line?

3 I mean it is a different graph, but does
4 it not essentially show the same information?

5 MR. CASTRILLI: I think it is dealing
6 with the same information and it is showing different
7 results and I want to put the question to the witness.

8 THE CHAIRMAN: I guess that is my point,
9 does it not show similar results?

10 MR. CASTRILLI: Well, the point however
11 is the assessment and the interpretation that the
12 authors of Exhibit 191, this panel, put on the
13 information and the authors of Exhibit 61.

14 Q. And I just would like to ask the
15 witness whether he agrees that Figure 3-8 directly
16 conflicts with your Figure 9?

17 MR. DUNCANSON: A. Has your question
18 changed then, because I understand that...

19 Q. Well, actually I asked for whether
20 you agreed with the assessment at the bottom of page
21 10. I don't believe I have your answer to that.

22 A. I'm sorry, Mr. Chairman, I am
23 confused because the employment graphs, I thought that
24 is what we were discussing.

25 Q. Yes, that's right, we are.

1 A. Okay. Well, I will have to refer
2 that back to Ms. Coke.

3 Q. I thought she referred it to you.

4 MS. COKE: A. I thought it was a
5 question of profitability.

6 Q. Sorry, it was a question about
7 employment.

8 MR. DUNCANSON: A. I will say that graph
9 is not Ontario.

10 Q. The Woodbridge Reed or...

11 A. Figure 3-8.

12 Q. Figure 3-8 is for the whole country.

13 MS. COKE: A. Yes.

14 MR. DUNCANSON: A. Well, that is what is
15 implied by the paragraph on page 10.

16 Q. So you don't agree with the contrast?

17 MS. COKE: They are not comparable.

18 MR. DUNCANSON: A. The contrast, I
19 think, has to do with where you start your graphs.

20 Q. Don't they both start in 1970?

21 A. No, I mean on the scale, on the -- on
22 the index, the "y" axis.

23 Q. That's right.

24 A. One starts at 0 to 100 Ms. Coke's and
25 the Woodbridge Reed one starts at 60, if that is

1 Ontario.

2 Q. Well, do you agree with the paragraph
3 on page 10 in relation to Ontario -- excuse me, with
4 the paragraph on page 10 and the reference to Figure
5 3-8 on page 11?

6 A. Okay. So you are asking me about the
7 profitability as well as...

8 Q. No, no, just employment.

9 A. Just the employment?

10 Q. Just employment.

11 MS. COKE: A. As I said earlier, there
12 have been cycles in the employment, that the industry
13 appears to have held its own about a 72,000 share over
14 a 15-year period, but there have been cycles and there
15 was a fall-off in the middle part of the 70s and there
16 was a fall-off in the beginning of the 80s in
17 conjunction with the major recessions that the economy
18 went through.

19 So, yes, there are cycles, but overall it
20 is still employs about 72,000 people.

21 Q. Now, your evidence on employment
22 trends by sector indicates that declines in certain
23 sectors such as logging - this is still you, Ms. Coke -
24 declines in certain sectors such as logging, jobs and
25 paper and allied industries will be offset by increases

1 in jobs in the wood industry and you actually state
2 that at the top of page 57.

3 A. I have said that there were fall-offs
4 in those two sectors but there was a remarkable
5 increase in employment in the other sector and so,
6 therefore, overall that is how you end up with the same
7 total.

8 Q. And as well, even job declines in
9 logging and paper and allied industries, you indicate
10 will be offset by increases in production efficiency
11 through modernization efforts; is that right? That is
12 basically your paragraph 2 on page 57.

13 A. I didn't say -- I said that in fact
14 paper and allied appears to -- because paper and allied
15 production has been increasing, given the decline in
16 employment in that sector it would appear that they
17 have become more efficient and they probably may --
18 they probably also have become more capital intensive
19 but I don't know that for sure.

20 Q. But isn't that paragraph indicating
21 in effect that job declines are still being offset by
22 efficiencies in modernization efforts and that is what
23 your paragraph says; doesn't it?

24 A. I am sorry, you have to run that by
25 me again.

1 Q. That the job declines in logging and
2 paper and allied industries, you indicate in that
3 paragraph, will be offset by increases in production
4 efficiencies by modernization efforts; is that right?
5 Is that not what paragraph 2...

6 A. I had said that although the absolute
7 number of jobs in logging and paper and allied
8 industries have declined, given the steady increase in
9 output for both sectors increases in production
10 efficiency are indicated. That is what I have said.

11 Q. So with respect to the paper and
12 allied industry?

13 A. That would seem to be the case.

14 Q. There are sizeable investments in
15 modernization taking place and we also see from your
16 earlier evidence that there are declines in employment;
17 is that right?

18 A. Well, I am not the expert on paper
19 and allied industry investment, but I do know from my
20 colleagues that there has been a considerable amount of
21 investment by that industry in itself in modernization
22 in the last five to six years.

23 Q. Would you agree that overall we can
24 expect a decline in employment?

25 A. I don't know the answer to that.

1 Q. I refer you to Exhibit 205. We are
2 looking at Roman numeral -- page Roman numeral V.

3 MR. DUNCANSON: A. What is 205 again,
4 Mr. Castrilli?.

5 Q. Sorry. It is the Ontario Ministry of
6 Industry and Trade and Technology, the report entitled:
7 Competitive Position of the Northern Ontario Forest
8 Products Industry, it is the one dated October 14.

9 We are looking at Roman numeral -- page
10 Roman numeral V. Under page V -- Roman numeral V.
11 Under the heading: Labour and Management Skills. Do
12 you have that page?

13 A. Yes.

14 Q. The third sentence in the first
15 paragraph indicates:

16 "The pulp and paper sector is generally
17 committed to continuing capital programs
18 and other initiatives to increase
19 productivity and reduce costs."

20 The next paragraph goes on to say:

21 "Understandably, organized labour has
22 some difficulty endorsing programs which
23 could result in significant reductions in
24 employment in all sectors of the northern
25 Ontario forest industry. Because of wood

1 supply constraints and generally slower
2 growth in most forest products
3 reductions, in employment in existing
4 production facilities are unlikely to be
5 offset by increases in new plants or
6 products in the near future."

7 Do you agree with that assessment?

8 Whoever.

9 MR. DUNCANSON: A. No, no, I don't.

10 Q. Can you advise in what respects you
11 disagree or why you disagree?

12 A. Well, starting from the third
13 sentence:

14 "The pulp and paper sector is generally
15 committed to continuing capital
16 programs..."

17 We did outline that in our evidence.

18 Q. So you agree with that sentence?

19 A. And they are increasing productivity
20 and reducing costs. However, I would add on there that
21 they are maintaining the competitiveness in market
22 share.

23 Q. The next paragraph.

24 A. "Organized labour has some difficulty
25 endorsing programs."

1 I don't know.

2 "Reductions in employment and existing
3 production facilities."

4 I don't think the reductions are
5 significant. In fact, I think that a lot of the new
6 additional capacity -- the new capital projects,
7 particularly in the pulp and paper sector, are
8 increasing production with the same manpower;
9 therefore, your productivity per manpower -- per man
10 hour, I should say, is increasing.

11 Q. We are talking about total numbers of
12 jobs. Certainly your evidence is not that jobs are
13 increasing in the paper and allied industries, that is
14 not Ms. Coke's evidence; is that right?

15 MS. BLASTORAH: Mr. Chairman, I don't
16 think that's what he said. I think he said you are
17 increasing productivity with the same number of
18 employees. I don't think he said anything about more
19 jobs.

20 MR. CASTRILLI: Well, I have been for the
21 last three minutes attempting to elicit an answer with
22 respect to whether increased modernization in
23 productivity will result in fewer jobs. That's where
24 we are and that's what that paragraph is about, in
25 particular, the last two sentences.

1 THE CHAIRMAN: Mr. Duncanson, would you
2 address your answer to the question of whether or not
3 more jobs would be created in the future in that
4 sector, or whether the number of jobs will remain
5 constant, or whether they will decline.

6 MR. DUNCANSON: I believe that the jobs
7 will be maintained constant but, however, I think the
8 jobs will be maintained -- will be sustained, will be
9 protected, saved. The productivity gains and the
10 overall competitiveness of the industry will be
11 enhanced, therefore those jobs -- you can't compare it
12 to the same job as before. It would be a much more
13 protected job, much more secure.

14 MR. MARTEL: Can I ask a question?

15 MR. CASTRILLI: Yes.

16 MR. MARTEL: When you move to intensive
17 capital industry, whether it be mining or the pulp and
18 paper industry or so on, isn't it a fact of life that
19 the number of jobs actually available, hard numbers, in
20 fact reduces in terms of -- in fact, the number of jobs
21 are reduced, even though you produce more per man hour,
22 production increases, the actual number of jobs
23 decline?

24 MR. DUNCANSON: I have looked at every
25 one of the -- specifically, again, on the pulp and

1 paper sector, I have looked at each one of the mills,
2 each one of the capital expenditure programs. Quite a
3 few of them are expansion and I have not been able to
4 see any dislodgement of current jobs. There will be
5 job reclassification, but there will be no significant
6 reduction in overall manpower.

7 MR. CASTRILLI: Q. Mr. Duncanson, do you
8 agree with Ms. Coke's testimony at page 23, paragraph
9 10, that employment has declined about 10 per cent in
10 the paper and allied industries and in the logging
11 industry?

12 MR. DUNCANSON: A. Maybe I should
13 clarify that my comments in my answer to the Board was
14 based on our forecast of demand, our forecast of
15 competitiveness. I am not -- I was not referring to
16 what has happened between 1970 and the current time.

17 So I would not disagree with the actual
18 numbers that have taken place. There has been a
19 tremendous modernization that has gone through in the
20 industry which has resulted in reduction, but my
21 comments were basically from where we are right now to
22 further improvements.

23 Q. So your testimony is tremendous
24 modernization has resulted in some job loss?

25 A. Over the time frame in the

1 paragraph - I forget the paragraph number - yes.

2 Q. I believe it is paragraph 10.

3 A. Okay, 1970 to --

4 Q. 1984 roughly.

5 A. 1984.

6 Q. Now, getting back to paragraph 2 on
7 page Roman numeral V of Exhibit 205, is your testimony
8 that you do not agree with the last sentence I read
9 into the record, the sentence beginning:

10 "Because of wood supply constraints..."

11 A. No, I had not agreed on that. I
12 cannot -- I am not qualified to answer that.

13 Q. Sorry, is any member of the panel?

14 MS. COKE: A. Not me.

15 DR. ANDERSEN: A. I am not qualified to
16 talk about wood supply.

17 MS. BLASTORAH: Mr. Chairman, again, this
18 panel was not put here to address wood supply but
19 product demand, productivity and employment per se.
20 Ms. Coke is the one who has really addressed statistics
21 in a past sense and her material was in the past:

22 MR. CASTRILLI: Mr. Chairman --

23 MS. BLASTORAH: It speaks for itself.

24 MR. CASTRILLI: Mr. Chairman, now we are
25 focusing on the last two lines of that paragraph and I

1 find it reasonable to ask this panel whether they agree
2 or disagree with the issue of whether reductions in
3 employment in existing production facilities are
4 unlikely to be offset by increases in new plants or
5 products in the near future.

6 If they told me they --

7 THE CHAIRMAN: I thought Mr. Duncanson
8 answered that. In his view it would remain constant
9 but increased productivity per man.

10 MR. CASTRILLI: Q. So you clearly
11 disagree with the last two lines of that page; is that
12 correct, Mr. Duncanson?

13 MR. DUNCANSON: A. Starting with
14 reductions in employment in existing production
15 facilities, yes.

16 Q. Fine. So your evidence is directly
17 contradictory to that sentence; is that right, or the
18 evidence of the panel generally is directly
19 contradictory to that assessment; is that correct?

20 A. Our forecast in reductions of
21 employment would be contrary to that.

22 Q. Now, I understand from your evidence
23 Ms. Coke, still with you, that a significant portion of
24 indirect jobs would be estimated to result in the
25 Ontario economy arising from the number of direct

1 forest industry jobs; is that right?

2 MS. COKE: A. The two analyses that were
3 included in my document suggest that is the case.

4 Q. And I understand you draw several
5 conclusions referring generally to page 67 of your
6 evidence?

7 A. Yes, I have drawn two conclusions
8 from that.

9 Q. The one I wish to focus on is the
10 first one which you indicate that a simple estimate of
11 direct employment in the industry may significantly
12 undervalue the real importance of the forest products
13 industry to the economy.

14 A. That is correct.

15 Q. Now, I presume you are referring
16 there to the Ontario economy?

17 A. I am referring to -- well, yes, I am.

18 Q. Well, you are including the Ontario
19 economy?

20 A. Yes, that's right. It is part of the
21 broader Canadian economy.

22 Q. So would it be fair to say that you
23 are stating generally on that page that these indirect
24 jobs and the associated purchased goods and services
25 that are generated by the forest products industry are

1 Ontario based?

2 A. I am sorry, I don't understand your
3 question.

4 Q. Let me repeat it. Would it be fair
5 to say that you are stating on that page these indirect
6 jobs that are associated with purchased goods and
7 services that are generated by the forest products
8 industry are going to be Ontario based?

9 A. Well, all I can say is that based on
10 Roman Jacques work, and he, you will recall, found that
11 there was a total of 1.1 spin-off jobs in Ontario and
12 an initial .7 spin-off jobs outside of Ontario to total
13 1.8. So, therefore, if a significant proportion of his
14 analysis holds true in '84 and '88, a significant
15 proportion of the jobs that are generated indirectly
16 and induced would occur in Ontario.

17 Q. Do you have any sense or did you have
18 a sense or a range in mind when you said -- when you
19 used the word significantly?

20 A. Well, more than one.

21 Q. Would it be a majority?

22 A. I am not sure what you mean, I am
23 sorry. If for every job in the sector you get another
24 job in the economy, that seems like a pretty big bang
25 for the buck.

1 Q. I will refer you to Exhibit 204,
2 which is the Ministry of Natural Resources' report on
3 the forest industry in the economy of Ontario. I am
4 referring to page 14.

5 A. I am sorry, what page?

6 Q. Page 14.

7 A. Okay.

8 Q. Looking at the last two sentences in
9 the next to last paragraph on that page, it is under
10 the general heading of Regional Distribution and
11 Importance, do you see that?

12 A. Yes, I do.

13 Q. The sentence beginning: "In
14 addition..."

15 A. Yes, okay.

16 Q. "In addition to acquisition of wood,
17 the forest industry purchases large
18 amounts of supplies and equipment and
19 services, some 46 per cent of such goods
20 and services were purchased from southern
21 Ontario, only 2 per cent from northern
22 Ontario and the majority, 52 per cent,
23 derived from outside of the province."

24 A. That's what it says.

25 Q. That was for the period 1978 --

1 actually if you refer to Table 22 on page 50 of that
2 same report.

3 A. Okay.

4 Q. Do you have that?

5 A. Yes, I do.

6 Q. The heading of that table is: Origin
7 of Non-Wood Purchased Goods and Services, 1978. And
8 you will see if we look down at the origins, northern,
9 southern Ontario, western Canada, eastern Canada and
10 imports?

11 A. Okay.

12 Q. And rest of the world. If you look
13 on the far right-hand side of the page, you will see
14 the breakdown in percentage values are roughly the
15 numbers that were indicated on page 14?

16 A. I see that. I am not familiar with
17 this, I don't know how this was calculated. I don't
18 know what model was used. It is very difficult to tell
19 what kind of a model was used. I don't know anything
20 about the way this was calculated.

21 Q. Well, I don't think we need to delve
22 deeply into that in order to deal with the matters I
23 wish to ask you some questions about.

24 Basically what we are looking at there is
25 48 per cent are Ontario based and 52 per cent are

1 non-Ontario based; is that correct?

2 A. That's what it seems to say.

3 Q. Do you have any more recent
4 statistics with respect to that issue?

5 A. No, I do not.

6 Q. Would it be fair to say that if the
7 figures from that table, being Table 22, if they are
8 still generally applicable today that the indirect jobs
9 produced for Ontario would be less than half of the
10 91,000 estimated nationally that we see on your page
11 67?

12 A. I don't think I am qualified to talk
13 to that because I really don't know how this -- as I
14 said, the work that I referred to, both the Jacques
15 study and the Statistics Canada study, particularly the
16 Jacques study said that 1.1 of the 1.8 indirect end use
17 jobs occurred in Ontario. That's all I know. I don't
18 know how this was done.

19 Q. I recognize that, but I am not asking
20 you to understand how it was done, I am asking you to
21 simply assume for purposes of this discussion --

22 A. But I can't assume that because I
23 don't know how they calculated these numbers.

24 MR. CASTRILLI: Mr. Chairman, I think
25 this is a reasonable question to ask in a hypothetical

1 form assuming the figures are still correct.

2 THE CHAIRMAN: Ms. Coke, we have a little
3 fantasy that counsel indulge themselves occasionally
4 which is to put a hypothetical to the witness.

5 MS. COKE: Okay.

6 THE CHAIRMAN: And you assume for the
7 purposes of the hypothetical that certain facts are or
8 are not correct without going behind that assumption.

9 MS. COKE: Okay, all right.

10 THE CHAIRMAN: And based on those
11 assumptions what would your professional opinion be?

12 MS. COKE: Okay then, and what do you
13 want my professional opinion on, exactly?

14 MR. CASTRILLI: Q. Would you like me to
15 repeat the question?

16 MS. COKE: A. Yes, I would like to know
17 exactly what you would like me to...

18 Q. Would it be fair to say that if the
19 figures from Table 22, which admittedly deal with 1978
20 and are from an Ontario Ministry of Natural Resources'
21 report, are still generally applicable today that the
22 indirect jobs produced for Ontario would be less than
23 one half of the 91,000 estimated nationally that we see
24 on your page 67?

25 A. If you take these percentages, that's

1 the conclusion you could draw.

2 Q. Thank you.

3 MR. CASTRILLI: Mr. Chairman, this would
4 be a good place for an afternoon break.

5 THE CHAIRMAN: Okay. How much more this
6 afternoon were you planning to go on with? Put it this
7 way: How much more do you have left, do you think?

8 MR. CASTRILLI: I would think I have
9 about...

10 THE CHAIRMAN: In hours.

11 MR. CASTRILLI: As opposed to days.

12 THE CHAIRMAN: As opposed to days or
13 weeks.

14 MR. CASTRILLI: I would say that we are
15 about -- we are less than halfway, maybe only a third
16 of the way. I am not sure exactly how long you are
17 planning on sitting today.

18 THE CHAIRMAN: Well, we want to ensure
19 that we finish by tomorrow night.

20 I understood, Mr. Campbell, that you have
21 under two hours; was that a correct assumption?

22 MR. CAMPBELL: That is a good working
23 assumption, Mr. Chairman.

24 THE CHAIRMAN: If we sat until 5:30
25 today, as an example, would you finish and still allow

1 Mr. Campbell his two hours?

2 And then how long in re-examination, Ms.
3 Blastorah, do you have any idea?

4 MS. BLASTORAH: It is a little early to
5 project, Mr. Chairman. I would say at the outside an
6 hour I would hope, but that's allowing myself some
7 leeway because we still have two-thirds of Mr.
8 Castrilli's to go.

9 MR. CASTRILLI: If we sit until 5:30
10 today, I would think that even if I did go on tomorrow
11 morning it wouldn't be for much longer than an hour.

12 THE CHAIRMAN: Okay. Well, on that basis
13 I think we can easily finish tomorrow.

14 So, on that basis, we will take a
15 20-minute break.

16 ---Recess taken at 4:00 p.m.

17 ---Upon resuming at 4:25 p.m.

18 THE CHAIRMAN: Thank you. Be seated,
19 please.

20 MS. COKE: I am not sure if this is
21 allowed, but during the break I had a chance to look at
22 this table a little bit more closely and some of the
23 assumptions behind it. Could I just ask -- I think I
24 should note that this table talks about a multiplier
25 associated with just goods and services inputs, it

1 doesn't talk about a general multiplier.

2 And that is the kind of question -- that
3 was the kind of problem that I had with it, I wasn't
4 sure what was behind it and I didn't know what it
5 included. But I think it is important that that point
6 be made.

7 MR. CASTRILLI: Q. Actually my next
8 questions deal with multipliers.

9 MS. COKE: A. Okay, all right.

10 Q. So we can all have an opportunity to
11 consider it.

12 MS. BLASTORAH: Mr. Chairman, just for
13 the record, could I ask Ms. Coke to clarify which table
14 she is referring to?

15 MR. CASTRILLI: I believe it is Table 22;
16 isn't it?

17 MS. COKE: Table 22, page 50, and my
18 colleagues may also be able to shed much more light on
19 this that I can.

20 THE CHAIRMAN: That's Exhibit 204?

21 MR. CASTRILLI: Yes, that's right.

22 Q. Ms. Coke, generally at pages 63 to 68
23 you discuss the use of employment multipliers to
24 determine an estimate of the number of indirect jobs
25 generated in Ontario for every direct job in the forest

1 industry; is that right?

2 MS. COKE: A. Indirect and induced in
3 one case and indirect in the other, yes, that's right.

4 Q. And that first one is the 1979?

5 A. Input/output model.

6 Q. Right.

7 A. Correct.

8 Q. And the second one -- well, they are
9 both input/output models, one is a closed from 1979 and
10 one is an open from 1984; is that right?

11 A. That is correct.

12 Q. And they both use multipliers; is
13 that correct?

14 A. They both are the basis for which
15 multipliers have been developed, yes.

16 Q. All right. And on page 65 of our
17 evidence, you produce a table -- excuse me, you produce
18 a figure, Figure 13, with respect to direct and
19 indirect employment numbers related to the forest
20 products industry which you actually summarize on page
21 67; is that right?

22 A. Yes. This is the table that I got
23 basically from the Statistics Canada input/output
24 division which gave the results of their indirect and
25 direct employment estimate using their '84 open model.

1 This is what the results are of that analysis.

2 Q. And the Figure 13 on page 65 is based
3 on the newer multiplier ratios restricted to the
4 national level; is that right?

5 A. Yes.

6 Q. Newer being the 1984 model?

7 A. They are based on the input/output
8 tables which have been developed for 1984. In other
9 words, they assume technology to be -- they assume a
10 sort of technological state-of-art at about 1984 and
11 so, therefore, they might be a little bit different
12 than the '79.

13 Q. And would it be fair to say that from
14 these national figures you make some qualitative
15 assumptions on page 67 about how many of those indirect
16 jobs generated nationally would be Ontario based; is
17 that right?

18 A. I don't think I did that. I think I
19 said that this -- all you could say on the basis of
20 this analysis was that for every job in the Ontario
21 industry an additional 1.1 jobs was generated across
22 Canada. At that time the Stats Canada people had not
23 developed sort of their Ontario component of that
24 basis, so they weren't able to tell me, you know, how
25 can you break this out in the way Roman Jacques was

1 able to.

2 So all I can say for sure is that if you
3 use the 1984 employment numbers and you accept the 1984
4 input/output results, that would mean that an
5 additional 91,000 jobs are generated across Canada, in
6 Ontario, and elsewhere. I don't know -- we were not
7 able -- you couldn't say from that how many of those
8 jobs fell within Ontario.

9 Q. All right. But in the second
10 paragraph on page 67 you indicate that that information
11 that you have just described provides strong evidence
12 that a significant proportion of these indirect jobs
13 would be Ontario based; is that not correct?

14 A. Well, certainly, you know, taking the
15 two analyses together and looking at the Ontario
16 economy as the, probably the most diversified
17 industrial economy in terms of a province of Canada,
18 there is a good likelihood that there would be a strong
19 linkage. If they are going to buy from anywhere, there
20 is a good likelihood they are going to buy from Ontario
21 because Ontario is the industrial part of the country.

22 Q. When you say a significant
23 proportion, could you put a range?

24 A. I really couldn't. I would only --
25 the most careful thing I could say is that I would have

1 to fall back on the proportions that Roman Jacques gave
2 us which is sort of, what, two-thirds to one-third, I
3 would say. He gave 1.1 spin-off and .7 although
4 Jacques also included induced effects.

5 THE CHAIRMAN: What is the effect of the
6 creation, if any, of jobs in other countries like the
7 States? I am thinking of the situation where a
8 Canadian mill with certain equipment, they decide to
9 upgrade, the supplier of that equipment is basically
10 west, they add jobs to the U.S. to meet that demand and
11 end up spending or end up selling to Canada?

12 MS. COKE: Certainly when industries buy
13 a product, jobs are generated outside the country,
14 that's correct.

15 THE CHAIRMAN: And that has no impact on
16 the Canadian economy, or does it?

17 MS. COKE: I have seen an analysis which
18 was done about trying to link the entire world, an
19 input/output analysis for the world. It is very, very
20 difficult to -- it depends on how much -- I mean, for
21 example, if we bought paper machinery from another
22 country and they used Canadian-made paper to process
23 the bills but we don't know, okay, so it will be very
24 difficult to know because they went to a supplier that
25 happened to buy from Canada.

1 I really -- it is way beyond me. I have
2 seen that attempted, but I don't know the answer to
3 that.

4 THE CHAIRMAN: Dr. Andersen, do you have
5 an answer?

6 DR. ANDERSEN: Yes, I would -- if I
7 could, I would just like to say that with respect to
8 this type of analysis, if it creates an economic
9 spin-off effect in Ontario or another adjoining
10 province, let's say, we do all benefit from the
11 interaction of trade, and I think that interprovincial
12 effects would definitely be there.

13 Just speaking in terms of basic
14 economics, if you lift the level of trade everybody
15 benefits from it. And I had the feeling myself that
16 just focusing in on the Ontario effect does leave out
17 this consideration because certainly if you lift the
18 level of the economy in other provinces, that's going
19 to come back and, again, have an effect on Ontario
20 which is perhaps beyond the complexity of the
21 input/output models, but certainly it is there in the
22 notion of trade.

23 So I think in general, that's a comment
24 of the kind of economic level I wanted to introduce.

25 THE CHAIRMAN: Thank you.

1 MR. CASTRILLI: Q. Would it be fair to
2 say, Ms. Coke, that one should be careful about the use
3 of multipliers?

4 MS. COKE: A. What do you mean by that?
5 Sorry, I am not quite sure what you mean.

6 Q. Exhibit 204.

7 A. Yes.

8 Q. Page 33.

9 A. Page 33. I have that, yes.

10 Q. The authors, being Ministry of
11 Natural Resources' people for the Timber Sales Branch
12 who wrote the report, outline a number of
13 qualifications or concerns regarding the use of
14 multipliers on the page and the following pages.

15 In particular, on that page they are
16 referring to -- commenting upon a 1974 MNR input/output
17 model. You will see in the third paragraph -- third
18 full paragraph on that page that the Ministry states
19 that:

20 "Our estimates need to be accepted with
21 caution for the following four reasons."

22 And they set out the four reasons. I
23 will just read one into the record and ask you some
24 general questions. No. 1:

25 "The input/output model for the

1 Ontario forest products industry does not
2 take into account income due to imports.
3 The general effect of this is an
4 overestimate of all multipliers."

5 Now, without going through the other
6 three that are set out on that page and actually on to
7 page 35, unless you want to take a moment to review
8 them without my actually taking the time to read them
9 into the record.

10 A. And what is the question, sorry?

11 Q. The question is -- you don't want to
12 read them.

13 Would you agree with me that the earlier
14 MNR study, the one that is now Exhibit 204, identifies
15 qualifications and concerns regarding the use of
16 multipliers which the reader should be made aware of at
17 face value?

18 A. It doesn't because it does not
19 identify those concerns, those cautions.

20 Q. Your answer is yes?

21 A. It seems to identify several
22 precautionary things that you should think about when
23 you are reading the results of their analysis, yes.

24 Q. Can you advise the Board where you
25 have qualified your estimates regarding indirect jobs?

1 A. Yes. I think I have noted them.

2 There is a couple of things that are worth saying.

3 There may be some double counting in the logging

4 activity. It only makes sense that the logging jobs

5 may show up as indirect jobs related to the paper and

6 allied industry and wood industries because they are so

7 closely tied.

8 Another thing that we -- a thing that

9 worried me when I looked at the results of this table

10 was that you will note if you add the --

11 Q. Sorry, which table are you referring

12 to.

13 A. Sorry, Table 13. If you look at the

14 results on Table 13, you will note that if you add

15 up --

16 Q. Sorry, this is...

17 A. Of my evidence.

18 Q. Sorry, that is Figure 13--

19 A. Figure 13 on page 65.

20 Q. --of your evidence?

21 A. Sorry. If you look on page -- Figure

22 13 on page 65, adding up all of the sub-components that

23 would say make up the wood industries, they don't add

24 up to the 49,528 and the reason for that is, as has

25 been explained to me, is that when you are taking the

1 big picture, the differences between sub-units tend to
2 get ignored or sort of underestimated and, in effect,
3 there is a very good description.

4 So basically the problem stems over from
5 cross-over effects or internal transactions. Basically
6 when you look at a small picture you get weighted
7 averages, whereas if you just look at the big picture
8 you don't get that weighted average so you end up sort
9 of getting one number as opposed to proportions of
10 weights, so it tends to exaggerate the difference.

11 So I was worried that that didn't -- they
12 didn't add up. That makes sense and that is perfectly
13 legitimate according to the Stats Canada people. So
14 those are qualifiers that I put on this table and I
15 believe I did write them out in Notes No. 3 and Notes
16 No. 4.

17 The other thing I should say is that, of
18 course, this table only includes - as we know, because
19 it is based on the open model - direct and indirect, it
20 doesn't include induced employment and it also doesn't
21 include indirect and induced activity which may be
22 generated from other industries which I have mentioned
23 could be said to be wood-related employment such as
24 furniture and fixtures, to the extent that furniture
25 and fixtures employs people in wood-related procession

1 activities or printing and publishing and people like
2 myself who are working, to some degree, on the forest
3 products industry issues.

4 So those are other qualifiers with
5 respect to this estimate.

6 Q. In the main, the qualifications you
7 have put on the use of the multiplier to produce the
8 newspapers on Figure 13 are to be found on page 66.

9 A. That's correct.

10 Q. Now, I understand from your evidence
11 that 20 northern Ontario communities are either
12 entirely or predominantly dependent upon the forest
13 industry for their economic well-being?

14 A. I don't think I said that.

15 Q. Exhibit 4.

16 A. I believe what I said...

17 Q. Exhibit 4.

18 A. Exhibit -- oh, I am sorry, I thought
19 you were talking about...

20 Q. When I speak of your evidence, I am
21 speaking collectively of the Ministry's evidence. I
22 presume it includes yourself, but from time to time I
23 discover that this isn't necessarily the case. Page
24 20.

25 A. I have that.

1 Q. We are looking at lines 26 to 31 on
2 that page, begin:

3 "More than 20 northern Ontario
4 communities are either entirely or
5 predominantly dependent upon the forest
6 industry for their economic well-being."

7 And it says:

8 "For example, pulp and paper and allied
9 companies account for 40 to 60 per cent
10 of all employment in communities such as
11 Kapuskasing, Red Rock, Nipigon, Terrace
12 Bay, Schreiber, Smooth Rock Falls..."

13 Do you accept that, Ms. Coke?

14 A. That is part of the EA Document, yes.

15 Q. Do you accept it?

16 A. I am sorry, I don't really know which
17 20 communities they are talking about and so I assume
18 it has to be correct, but I haven't looked at that. I
19 didn't prepare this material, so I really am not
20 qualified to speak to it. I know what I have looked at
21 and I know what I prepared.

22 Q. And generally the panel members had
23 nothing to do with the preparation of this paragraph?

24 A. I did not.

25 Q. All right.

1 MR. DUNCANSON: A. No, I --

2 DR. ANDERSEN: A. Nor I.

3 Q. Now, I also understand from your
4 evidence, Ms. Coke, and that is from pages 135 to 137
5 that you too refer to an economic dependence by
6 northern Ontario communities, although you don't
7 particularly use the phraseology we see in Exhibit 4;
8 is that right?

9 A. That is correct.

10 Q. And I understand generally that your
11 evidence speaks of the importance of the forest
12 industry to the economic life of these communities and
13 it does so in generally positive terms; is that right?

14 A. Yes, exactly, saying that in these
15 communities more than a hundred of the jobs in these
16 communities in the north, as a percentage of
17 population, relate to the forest industry, wood
18 manufacturing and paper manufacturing.

19 Q. Would it be fair to say that some of
20 these northern Ontario communities would prefer to see
21 the development of a more diversified economy and would
22 like to reduce their dependence on the highly cyclical
23 forest products industry?

24 MS. BLASTORAH: Mr. Chairman, I don't
25 think Mrs. Coke can say what would or would not be the

1 preference of the northern communities as far as
2 diversity of economic development. She is qualified to
3 speak to --

4 THE CHAIRMAN: It is more or less
5 speculation on her part; wouldn't you say, Mr.
6 Castrilli?

7 MR. CASTRILLI: Q. Exhibit 61, page 31,
8 top of the page. Just paraphrasing what it says there:

9 "Northern Ontario communities..."

10 And dropping down three lines:

11 "...also prefer to see the development of
12 a more diversified economy reducing their
13 Dependence on the highly cyclical forest
14 products industry."

15 Would you agree with that assessment?

16 MS. COKE: A. That is what the document
17 says.

18 Q. Do you agree with that assessment?

19 A. I think that if you asked any
20 community whether they would like a more diverse
21 economic base, they would probably say yes.

22 Q. Thank you.

23 THE CHAIRMAN: I think if you asked any
24 province other than Ontario they would probably say yes
25 too.

1 MR. CASTRILLI: Q. I would like to refer
2 you to a document I believe you have been given notice
3 of, Selected Forestry Statistics of Ontario, 1987. It
4 is actaully the first one in your evidence. You each
5 have copies.

6 MR. DUNCANSON: A. Yes, we do.

7 MS. COKE: A. I do.

8 MR. CASTRILLI: Mr. Chairman, I ask this
9 be made the next exhibit.

10 THE CHAIRMAN: Exhibit 207.

11 MR. CASTRILLI: My version again as
12 selected excerpts of Selected Forestry Statistics.

13 ---EXHIBIT NO. 207: Excerpts of Selected Forestry
14 Statistics, Ontario: 1987.

15 MR. CASTRILLI: Mr. Chairman, that was
16 Exhibit 207?

17 THE CHAIRMAN: That is correct.

18 MR. CASTRILLI: Q. Ms. Coke, I would
19 like to refer you to Tables 9 and 10 -- sorry 9.10 and
20 9.11 which are the last two pages in the excerpts I
21 have provided you, pages 105 and 106.

22 MS. COKE: A. I have them.

23 Q. Well, beginning with Table 9.10 which
24 is on page 105 documents the change in population in
25 areas of northern Ontario from 1981 to 1986.

1 I am referring you first to the Table
2 9.10. Can you confirm for me that for the period 1981
3 through 1986, while the population of southern Ontario
4 increased 5.7 per cent over this time span, the
5 population of northern Ontario declined 3.2 per cent?

6 A. That is what it says, yes. Yes, I
7 confirm that.

8 Q. And similarly on Table 9.11, dealing
9 with the population of selected northern Ontario
10 communities, 1981 to 1986. Can you confirm for me that
11 with some exceptions there has been a decline in
12 population for the communities noted?

13 A. It looks --

14 Q. Sorry?

15 A. Yes, overall there has been a decline
16 in a few communities.

17 Q. And can you confirm for me that these
18 population declines are in communities or in some of
19 the communities that you list on your page 137?

20 A. Yes.

21 Q. I ask you to consider what
22 conclusions might be drawn from these statistics.
23 Would one conclusion be that people in northern Ontario
24 are either losing their jobs as a result of increased
25 efficiency or they prefer not to live in

1 timber-dependent communities? Would that be a
2 reasonable conclusion, these being Selected Forestry
3 Statistics for 1987?

4 A. I can't say -- I don't really know
5 why these particular communities have lost employment
6 and I am not sure how much of this relates to mining or
7 other activities that have been going on in the north
8 and I would have to look at each community
9 specifically.

10 I think you would have to really look at
11 each very carefully against its own industrial base and
12 try and assess what is happening and it may just -- it
13 may be that some of these -- this job loss relates to
14 some of the modernization investments as we saw
15 earlier. It may be because mining has been depressed.
16 It is hard to know, it is hard to know.

17 Q. Would you agree these communities are
18 certainly major forestry communities?

19 A. Some of them are. Some of the ones
20 that are listed are the same as the ones I have listed.

21 Q. Thank you.

22 A. But some of these communities that I
23 have listed are also major players in other industries
24 as well.

25 Q. Just consider -- I ask you whether

1 the drop in population in these communities might
2 likely increase, given the drop in production as a
3 result of the 15 per cent softwood lumber export tax?

4 A. This is 1986 estimates of population.
5 I don't think that the softwood lumber tax - and this
6 is preliminary, correct? I am not sure if the effect
7 of softwood lumber tax would have taken effect by then.
8 I don't think so.

9 Q. Mr. Duncanson, can I ask you to turn
10 to page 195 of your evidence.

11 MR. DUNCANSON: A. I have it.

12 Q. The last paragraph on that page
13 before the heading: New Capacity.

14 A. Yes.

15 Q. The paragraph beginning:

16 "The 15 per cent export tax..."

17 A. Yes.

18 Q. That paragraph reads:

19 "The 15 per cent export tax on softwood
20 lumber, however is a major cost to
21 Ontario producers and has resulted in
22 reduced lumber production. Three saw
23 mills have been closed; one each in
24 Kenora, Kapuskasing and Longlac. In
25 addition, operating rates at several

1 other saw mills have been reduced. In
2 total 10 per cent of Ontario's saw mill
3 capacity has been idled."

4 Would you agree with me that that is a
5 scenario for further losses in population in the
6 appropriate communities -- in the particular
7 communities affected?

8 A. It is a loss of employment. Whether
9 the population has been reallocated or not is all --
10 you know, I can't comment on that, I don't know.

11 Q. Now, I believe your testimony has
12 been - I am really directing my comments now to Dr.
13 Anderson and Mr. Duncanson - that Ontario's major paper
14 export is newsprint?

15 MR. DUNCANSON: A. That is correct.

16 Q. And that Ontario's traditional export
17 markets are the northeastern and northcentral regions
18 of the U.S., is that right?

19 A. That is correct.

20 MR. CASTRILLI: Mr. Chairman, for your
21 reference we are speaking of page 168 of the evidence.

22 Q. Now, on page 167 you also note that
23 there has been a rapid growth in demand for newsprint
24 and other paper in the U.S. and it is also allowing the
25 Ontario industry to generate important incremental

1 export revenues and employment spin-offs; is that
2 right?

3 DR. ANDERSEN: A. Mr. Castrilli excuse
4 me. You are referring to page 167?

5 Q. Yes.

6 A. Where exactly on the page?

7 Q. Sorry, it is the second paragraph.

8 A. Second paragraph.

9 Q. I was just basically paraphrasing it.

10 A. Yes, yes. And your question is...?

11 Q. Well, I will move to the question.

12 A. Yes.

13 Q. I understand from your testimony that
14 Ontario has lost market share over the period 1981-87;
15 is that right?

16 A. That's correct, in a relative sense.

17 Q. Right. I believe you said the
18 percentage hasn't gone down, but the absolute numbers
19 have gone down.

20 A. That is right, it has lost market
21 share in a growing market.

22 Q. Can you confirm for me that
23 notwithstanding, the major market for Ontario-based
24 newsprint producers are located in the mid-west and I
25 understand the U.S. northeast, that growth in the

1 demand for newsprint in these markets will be limited
2 over the next few years and that these markets will
3 themselves become increasingly competitive?

4 A. Growth will be limited over the next
5 few years.

6 Q. Yes.

7 A. No, I disagree with that, Mr.
8 Castrilli.

9 Q. You have before you the report of the
10 Canadian Forestry Service for June, 1985. It is
11 entitled: Medium-Term Market Outlook for the Ontario
12 Newsprint Industry.

13 A. Yes, I have.

14 MR. CASTRILLI: Mr. Chairman, I would
15 like to make this the next exhibit.

16 THE CHAIRMAN: Exhibit 208.

17 ---EXHIBIT NO. 208: Report entitled: Medium-Term
18 Market Outlook for the Ontario
Newsprint Industry.

19 MR. CASTRILLI: And I understand the
20 witnesses have copies of that already. (handed)

21 Q. Now, Dr. Andersen, I would like to
22 refer you initially to the abstract page, the first
23 part of that:

24 "The major markets for Ontario-based
25 newsprint producers are located in the

1 midwestern and northerneastern United
2 States. Growth in the demand for
3 newsprint in these market areas will be
4 limited over the next five years. In
5 addition, these markets will become
6 increasingly competitive over this
7 period."

8 I presume you will agree with the first
9 sentence?

10 DR. ANDERSEN: A. Yes, midwestern and
11 northeastern United States, yes, the nine states
12 basically fall within that first...

13 Q. And am I correct you agree with the
14 last sentence I read which was:

15 "In addition, these markets will be
16 become increasingly competitive over this
17 period."

18 A. I believe so, yes. Yes, that is
19 certainly...

20 Q. I believe the nub of our agreement is
21 the middle sentence.

22 A. That is correct.

23 Q. Can you advise the Board why you
24 disagree.

25 A. Why I disagree? Because this

1 forecast was created on the basis of 1983 data trending
2 to the year 1989, and the forecast that is presented on
3 page 18 of this report is basically, well virtually to
4 our forecast that 13-million metric tonnes will be
5 consumed in the United States by the year 1989.

6 So basically they are saying the same
7 thing that we are saying.

8 Q. Okay. I ask you to turn to page 19
9 of what is now Exhibit 208. The author there is
10 referring to a Figure 16 which actually appears on page
11 20. I just wanted to read the assessment into the
12 record and ask you to take a look at it, the figure
13 which appears on page 20, and I will ask you some
14 questions about it.

15 But basically the statement on page 19
16 reads:

17 "Figure 16 illustrates regional demand
18 for newsprint as a proportion of total
19 demand in the four major regions of the
20 United States between 1970 and 1984. As
21 expected, demand in the northeast and
22 midwest, expressed as a percentage of
23 total United States demand, decreased
24 over this period, and demand in the south
25 and west increased."

1 If we turn over to page 20 and look at
2 Figure 16 is a depiction of regional share of demand
3 for newsprint in the United States. Can you agree with
4 the assessment found at page 19 that I just read into
5 the record?

6 A. The historical commentary dealing
7 with the 1970 to late 1970s -- no, the 1970s and early
8 1980s.

9 Q. Yes.

10 A. The trend lines in there, I assume
11 are correct in terms of per cent share.

12 Q. And can you confirm for me that we
13 don't have a comparable picture from you projecting
14 forward in Exhibit 191.

15 A. Oh yes. As the author states on page
16 19, he has simplistically assumed a new equilibrium for
17 regional shares and I think he points out in the
18 document that this is highly dependent on the foreign
19 exchange rates, the U.S. dollar in particular, and what
20 that can do to the economic health of the so-called
21 smokestack industries in the United States.

22 Q. Right. My question was, in your
23 evidence we do not have a figure comparable to Figure
24 16 which breaks up the regional share of demand; is
25 that right, for the future?

1 A. We do not have a comparable diagram
2 to Diagram 16, Mr. Castrilli.

3 Q. Thank you. So would you agree with
4 me that these pages are indicating that demand for
5 newsprint in the United States is increasing in the
6 U.S. west and the U.S. south; is that right, and that
7 is really what we see on Figure 16 as well?

8 A. The latest information shows greater
9 increase in the U.S. northeast and U.S. north central
10 than U.S. south, up-to-date information.

11 Q. What information are you referring
12 to?

13 A. I am referring to the source No. 2.

14 Q. Source No. 2, is that in evidence?

15 A. Just bear with us for a minute.

16 These are the figures for 1987 which are more up to
17 date and refer to U.S. newsprint consumption by region
18 in the United States. The latest figures show that in
19 the northeast consumption increased in volume terms by
20 6.9 per cent in 1987 compared with only 3 per cent in
21 the U.S. south.

22 Q. Sorry, what document are you reading
23 from?

24 MR. DUNCANSON: A. It was included on
25 two documents, and if you look at page 210 of our

1 document it was included in the -- under source No. 6
2 which was requested by your interrogatory.

3 We have both numbers, both from the
4 American perspective as well as Canadian.

5 Q. All right. So it is source No. 6
6 that you are relying on in which you say that the
7 picture that is presented in Figure 16 of what is now
8 Exhibit 208 is no longer as accurate as the material
9 you say is now found in Reference 6 on your page 210?

10 DR. ANDERSEN: A. Yes, and there is
11 certainly good reason for that.

12 Q. Which is?

13 A. Well, the reason is that since 1985
14 there has been a major and fundamental shift in the
15 balance of economic power by region in the United
16 States. The reason for this, of course, is the change
17 of the United States dollar which is of fundamental and
18 historical importance with respect to the smokestack
19 industries in the north central and northeastern United
20 States and, to a certain extent, it is a shift of the
21 power balance back from the sunbelt to the -- down in
22 the west, the sunbelt in the west towards the
23 industrial regions of the midwest and the northeast.

24 So this is something that wasn't
25 available to the author, of course, when this report

1 was undertaken and it is understandable why the
2 confusion perhaps.

3 With the Board's permission I would very
4 much like to show what has happened to the U.S. dollar
5 to put that into perspective.

6 Q. I think that is something that can be
7 dealt with in re-examination, if it is going to be
8 dealt with at all.

9 THE CHAIRMAN: I think that is probably
10 proper, Dr. Andersen.

11 MR. ANDERSEN: Thank you.

12 THE CHAIRMAN: If your counsel wants to
13 bring that out, he has the opportunity.

14 DR. ANDERSEN: Yes, I was looking to the
15 Board.

16 MR. CASTRILLI: Q. Would you agree with
17 me, Dr. Andersen, that if the picture explained on page
18 20 of Exhibit 208 was still the picture -- this is a
19 hypothetical.

20 DR. ANDERSEN: A. Yes.

21 Q. That the newsprint demand increases
22 are in areas of the U.S. that Ontario has traditionally
23 not serviced?

24 A. This is a hypothetical question?

25 Q. Yes.

1 A. I find it difficult to answer that
2 question because the report seems to be internally
3 inconsistent. Maybe there is a typographical error in
4 the report, but it basically says two things in terms
5 of demands. The first point which I agree with is that
6 demand has increased considerably to 1989, totally
7 13-million metric tonnes and the second point which I
8 find confusing.

9 Q. Excuse me, Dr. Andersen, where are
10 you referring?

11 A. Oh, page 18, Mr. Castrilli, the very
12 last sentence on page 18.

13 Demand forecast to reach 13-million
14 tonnes by 1989. And if we go over the forecast period,
15 I note on page 20, that the actual figures used in
16 these projections stop in 1983. That is shown in a
17 little note on the upper right-hand corner, that
18 1980-83 data are actual demand; in other words, the
19 forecast starts in 1984 and ends in 1989, where the
20 statement on the bottom of page 18 calls for 13-million
21 tonnes.

22 Now, what I have done is I have gone back
23 to the actual consumption number in 1983 which is
24 10.589 million tonnes and simply calculated the growth
25 rate -- compounded growth rate year-by-year between

1 1983 and 1989, in other words, going from 10.589 to
2 13-million, what is the average growth rate. It comes
3 out 3.5 per cent per annum and not the 2.5 per cent
4 that is mentioned on line 2 of the last paragraph.

5 So perhaps there is a misprint, I don't
6 know. In any case, I would say that the forecast is a
7 particularly strong one, because to go from 83-89 a 3.5
8 per cent per year is certainly not a limited growth
9 trend.

10 So if you were to apply a percentage -- a
11 fixed percentage of, you know, consumption by region,
12 based upon a robust 3.5 per cent per year growth trend,
13 I would agree with you Mr. Castrilli, but I am confused
14 because of the internal inconsistencies here.

15 Q. All right. So subject to the
16 qualifications you have just indicated, you agree with
17 my question?

18 A. Yes.

19 Q. Thank you. And would it be fair to
20 conclude if my hypothetical which is derived from
21 Exhibit 208 is correct, that this would have
22 implications for future U.S. demand needs from Ontario
23 forests assuming that Ontario's traditional U.S markets
24 for newsprint did not change?

25 A. I find that confusing in that you are

1 saying if we keep a fixed percentage of consumption by
2 region in the United States, you are saying that the
3 market is going to what, Mr. Castrilli?

4 Q. Well, I am saying if you look at
5 Figure 16 and you see that the demand is dropping,
6 assuming again these figures are accurate, demand is
7 dropping in areas that have historically been Ontario's
8 markets; i.e., the northeast and north central; would
9 you agree?

10 A. Oh yes, but you have to realize, Mr.
11 Castrilli, that this is the pre-1985 shift and does not
12 recognize the change in the balance of economic power
13 in the United States by region and certainly it does
14 not recognize the most recent statistics that shows
15 that newsprint consumption is growing at more than
16 double the rate in the northeast compared with the U.S.
17 dollar.

18 Q. I am asking you to consider this on a
19 hypothetical basis.

20 A. Oh fine, okay.

21 Q. If this table indicates a true
22 picture of the situation in future or at least to the
23 point in time it was dealing with, would you not agree
24 that this has implications for future U.S. demand needs
25 from Ontario forests considering that Ontario's

1 traditional markets have been in the areas of the
2 northeast and north central, that this graph suggests
3 that reducing demand -- or reduced demand?

4 A. No I wouldn't, because the author
5 states that the percentage is stabilizing and taking a
6 fixed percentage of a strongly growing market means
7 that you have a fixed percentage of a certain market
8 total which is growing significantly.

9 We are forecasting the market demand
10 grows by 30 per cent between 1987 and the year 2000.

11 THE CHAIRMAN: No, but Dr. Andersen, I
12 think Mr. Castrilli in his hypothetical --

13 DR. ANDERSEN: That is what makes it
14 difficult.

15 THE CHAIRMAN: Will it not impact on...

16 DR. ANDERSEN: Oh, I think the point is
17 that we are not talking here demand we are talking
18 market share; this is market share and it is a fixed
19 percentage of a given market.

20 But I am saying: Hey, the market is
21 growing. So that is, I think, the confusion and we are
22 looking at market share in Figure 16.

23 MR. CASTRILLI: Q. Can we just turn to
24 another document which is now in evidence, being
25 Exhibit 205, page 36, 37. We are looking at the bottom

1 of the page under Newsprint.

2 MR. DUNCANSON: A. You are at page 36?

3 Q. Beginning at page 36, that's right,
4 under the heading: Newsprint, it states:

5 "The demand for newsprint has
6 historically grown at a lower rate than
7 world economic growth. The primary
8 causes of this situation are as follows:

9 - A shift in advertising from newspapers
10 to television and radio, in developed
11 countries.

12 - Maturity of newsprint markets in the
13 United States (essentially no new uses
14 for the product)"

15 Thirdly, going over to page 37:

16 "- Desire of advertisers to have their
17 material printed on better paper, such as
18 coated and other grades, primarily for
19 better colour presentation."

20 First of all, just focusing on page 36,
21 would you agree with the assessment we find on that
22 page?

23 DR. ANDERSEN: A. The statement that
24 demand for newsprint has grown at a lower rate than
25 world economic growth?

1 Q. Yes?

2 A. I am dealing with growth in the
3 United States, would you like to talk about that?

4 Q. Well, isn't the major market the
5 United States?

6 A. Pardon me?

7 Q. Isn't the major market the United
8 States--

9 A. United States is the world?

10 Q. --for Ontario?

11 A. Yes, that's correct.

12 Q. This report is written, by the way,
13 by the Ministry of Trade and Technology.

14 A. You are talking about the
15 relationship -- I would like to talk GNP in the United
16 States and consumption in the United States; is that
17 possible?

18 Q. I think it is only possible to answer
19 my question. You can deal with it in re-examination.
20 The question I asked you, first of all: Do you agree
21 with the sentence on that page?

22 A. It is hard for me to agree with
23 something so counter to what is happening in the United
24 States.

25 Q. Okay. If it was true - again this is

1 a hypothetical - would you agree that that could impair
2 the opportunity for Ontario newsprint products to
3 increase market share?

4 A. If it were true?

5 Q. Yes, if it were true.

6 A. If it were true. I think that would
7 depend on competitiveness factors and also upon supply
8 capability. In other words, mill supply capability.
9 Perhaps Mr. Duncanson would like to comment on that.

10 Q. Mr. Duncanson?

11 MR. DUNCANSON: A. How do you want me to
12 take this now from your question?

13 Q. If you disagree with Dr. Andersen,
14 otherwise if it is the same thing, I don't need to hear
15 it twice on the record.

16 A. I don't disagree with Dr. Andersen.

17 Q. Keeping on the subject of...

18 THE CHAIRMAN: Excuse me, Mr. Castrilli.

19 The Board is not finding it particularly productive to
20 be asking hypotheticals when you really could be
21 asking, as I think is important, the witness whether he
22 agrees with the statement and if he agrees with it,
23 fine; if he doesn't agree with it, he may state why he
24 doesn't agree with it and you may wish to call evidence
25 to say that what he agrees to or doesn't agree to is

1 incorrect because of evidence you are leading.

2 But is it really relative to put a
3 hypothetical to him on matters clearly which he really
4 doesn't agree with in the way that it is framed, just
5 to get the opposite answer out of him, but it is based
6 on facts which he does not support.

7 MR. CASTRILLI: I think it is always
8 proper to put a hypothetical to an expert witness. It
9 is particularly useful to put something to him which he
10 may not disagree with because of its age, for example,
11 but still states a position contrary to the evidence in
12 this particular exhibit.

13 THE CHAIRMAN: I am not saying that it is
14 not done, I am not saying that you cannot properly put
15 it, I am asking: Is it productive in terms of the
16 hearing we are involved in with the amount of evidence
17 we are considering, or is more productive to ask the
18 witness whether or not he agrees with the statement you
19 are putting to him and if so, why; and if not, why?

20 MR. CASTRILLI: I have done that too.

21 THE CHAIRMAN: I am wondering from the
22 Board's perspective what we are getting out of it in
23 terms of a hypothetical answer -- the answer to the
24 hypothetical questions as opposed to answers to the
25 direct questions.

1 MR. CASTRILLI: Mr. Chairman, it is
2 always possible to avoid answering a question on the
3 basis of the age of a report, but I think it is
4 important to establish whether the witness agrees with
5 the report to the time it was written and that is how I
6 am proceeding.

7 I recognize the report's age, also the
8 time they are presented. I think it is reasonable to
9 put the proposition to the witness with respect to the
10 records that deal with areas similar to the areas he
11 has given testimony on before this Board.

12 THE CHAIRMAN: You know, in connection
13 with your last question, the report is talking about
14 the world economic growth and this witness is saying
15 that he feels, in terms of the relevancy of that type
16 of question, he would like to talk about the U.S.
17 economic growth as opposed to world growth. He doesn't
18 agree necessarily with that statement, the impact is
19 really based on U.S. growth and impacts the Ontario
20 situation and I am just wondering if we are not wasting
21 a fair amount of time taking a cumulative answer on
22 hypotheticals as opposed to an answer that can be
23 obtained from a particular witness in answer to direct
24 questions. I just ask you to consider it.

25 MR. CASTRILLI: I will certainly consider

1 it. I will keep my hypotheticals to a minimum.

2 Q. Proceeding then with paragraph 26 of
3 the evidence, still on the subject of newsprint. Just
4 generally in that paragraph I understand that you are
5 indicating that in recent years a high level of capital
6 spending or investment in the industry -- I take it
7 from that that the implication to be drawn is that the
8 industry's competitive position has been enhanced.

9 Is that a fair assessment of that
10 paragraph.

11 MR. DUNCANSON: A. That is paragraph
12 26 -- page 26.

13 Q. Yes, that's right.

14 A. Yes, that's correct.

15 Q. And focusing just for the moment on
16 newsprint machines or that aspect of capital spending,
17 would you agree with me that 80 per cent of Ontario
18 newsprint machines pre-date 1960?

19 A. What portion of the newsprint
20 machine?

21 Q. 80, eight zero.

22 A. What actual part of the machine?
23 Most of the newsprint machines have been rebuilt
24 completely.

25 Q. I would like to refer you to Exhibit

1 61. Sorry, that's the Woodbridge Reed Report?

2 A. Yes, I have it. What page?

3 Q. 12. We are looking at the last
4 paragraph, actually we are really looking at the table
5 on that page, 3-1.

6 A. Yes, I have it.

7 Q. Would you agree that that table tells
8 us that 80 per cent of Ontario's newsprint machines
9 pre-date 1960?

10 A. Again, I think you have to define
11 what portion of the machines have been rebuilt.

12 Q. Well, let's begin with: Do you agree
13 with what it says on that page, or are you not able to
14 answer?

15 A. I agree that a number of older
16 machines have been rebuilt and are modified at various
17 times bringing them more up to date technologically.

18 Q. You are not going to answer the
19 question. Do you agree or not with that page with
20 respect to the issue of the vintage of the machines in
21 operation in Ontario?

22 A. Let me read the whole page again.

23 Q. Just that paragraph.

24 THE CHAIRMAN: You are dealing with the
25 last paragraph just above the table; is that correct?

1 MR. CASTRILLI: And the table itself.

2 They speak to each other.

3 MR. DUNCANSON: I disagree with the first
4 statement.

5 MR. CASTRILLI: Q. Sorry, you are
6 referring to...?

7 A. The fact that only three of the 20
8 newsprint machines can be considered current economy of
9 scale.

10 Q. What do you understand to be the
11 correct figure?

12 A. 14.

13 Q. Can you advise the Board what you
14 base that figure on?

15 A. I would base it first on the
16 reference to the cost comparison that was done recently
17 by Price Waterhouse which I table in my evidence.

18 Q. Sorry, is that a document referred to
19 on page 210?

20 A. I believe so. Just a moment. Yes,
21 it is source No. 11 on page 210.

22 Q. That's the Ministry of Industry,
23 Trade and Technology Report?

24 A. It is the newsprint cost comparison
25 by Price Waterhouse, September, 1987.

1 Q. Okay. And, sorry, you were going
2 through the remainder of the page -- the remainder of
3 that paragraph?

4 A. Yes. The summary of that particular
5 document, that Price Waterhouse Study was included in
6 our study on page 190 showing the production cost in
7 Canada -- in Ontario compared to Canada which showed,
8 on a mill cost basis and a total delivery cost basis
9 that Ontario mills were the same -- at the same cost,
10 average cost -- in fact, a little bit less when you
11 include the delivery.

12 Q. So, sorry, in terms of Exhibit 61,
13 you disagree with the fact that -- with the statement
14 that only 3 of the 1,250 newsprint machines are
15 considered economy of scale; you say it is 14 out of
16 20; is that right?

17 A. Yes, in the definition of economy of
18 scale I refer back to Price Waterhouse and say that's
19 the Canadian economy of scale.

20 Q. And the remainder of the paragraph?

21 A. No comment. You know, I disagree
22 with the 4 of the 20 machines were installed after
23 1960. However, you know, all of those machines have
24 been completely rebuilt or a good portion of them.

25 Q. And that is, you say, outlined in the

1 Price Waterhouse Report?

2 A. Yes, it is, on the cost -- you know,
3 the costs are there. The actual machines with the
4 system of modernization would be outlined on the table
5 on page 201 which is outlining our major capital
6 expenditures, 1982-87.

7 By explaining quite a bit of the detail,
8 what twin wiring meant is a machine that is completely
9 rebuilt, the forming process. However, in conjunction
10 with the twin wiring, quite often both the wet end and
11 dry end of the paper machine can't be rebuilt at all.

12 The wet end is where the pulp is fed into
13 the paper machine. Because of the modernization of the
14 wire forming portion of the paper machine, the wet end
15 had to be modified to bring it up to date with the rest
16 of the machine and the dry end, which is where the
17 paper comes off and is rolled, would have to be
18 completely rebuilt as well.

19 So these machines that are twin wired, in
20 every case, are completely rebuilt from the base plate
21 up.

22 Q. I count six twin wires; is that
23 right?

24 A. Okay. Just going down the list, the
25 three machines in Kenora would have been twin wired,

1 all three have been completely rebuilt wet end and dry
2 end.

3 The No. 10 machine, as I point out on
4 page 202, will be twin wired next year. Those three
5 machines are intensive, for all purposes completely
6 brand new.

7 The two machines at Abitibi Thunder Bay,
8 both of them have been rebuilt and both of them have
9 been twin wired. The No. 3 machine at Fort William has
10 been rebuilt and also a top wire. It is the same as a
11 twin wire, it is just a different name in the industry.

12 The No. 8 machine at Iroquois Falls, that
13 is a new paper machine, brand new. It was built in a
14 completely new part of the mill. That would
15 incorporate all the latest in twin wiring.

16 The No. 3 and the No. 4 machines in
17 Thunder Bay have both been twin wired. The No. 1
18 machine at Domtar Red Rock has a top wire. The No. 3,
19 4 and 5 machines, as I say, they were all twin wired.

20 In Kapuskasing, the two machines at the
21 bottom of the list are both brand new machined and
22 incorporate twin wires.

23 Q. All the machines you refer to are
24 newsprint machines?

25 A. They are all newsprint machines.

1 Q. I see. Would it be fair to say if a
2 machine is not economy of scale it is not efficient?

3 A. No, that would be incorrect.

4 Q. What does non-economy of scale mean
5 to you?

6 A. Getting back to the Price Waterhouse
7 study, the economy of scale is basically where your
8 competitors -- where the competitor's production costs
9 are out of line with what the average production cost
10 is industry-wide, country-wide. That would be what I
11 would qualify as economy of scale.

12 Q. Would it be fair to say non-economy
13 of scale is less competitive?

14 A. Not necessarily. It depends on the
15 quality of the paper being produced.

16 Q. Would you agree with me that the
17 industry is not equal to world class standards; I am
18 speaking now of the newsprint industry?

19 A. Can you define world class standards?

20 Q. Exhibit 205, page 45.

21 A. Exhibit 205.

22 Q. Yes, it is the Ministry of Industry
23 Trade and Technology Report, page 45.

24 A. Page...?

25 Q. 45. We are looking at the third full

1 paragraph on the page. The paragraph again -- it
2 states:

3 "The newsprint industry in Northern
4 Ontario includes eight mills, most about
5 30 years old and some dating from the
6 1920's. Despite modernization programs
7 and the 1983 installation of one new
8 paper machine which replaced four old
9 ones, the industry is not equal to
10 current world class standards."

11 Do you agree with that assessment?

12 A. No, I do not agree with it.

13 Q. In what respects do you not agree
14 with it?

15 A. The date of the text, October, '86.
16 It appears it goes to 1983 and it would not include an
17 awful lot of the modernization that has gone on through
18 the later part of '83, '84, '85, '86, '87 and today.

19 Q. It is your assessment it is simply
20 out of date?

21 A. It is out of date.

22 Q. The best current information with
23 respect to this matter is the Price Waterhouse Report;
24 is that your testimony?

25 A. On cost comparisons, the best, most

1 up-to-date assessment of the cost is the Price
2 Waterhouse Report.

3 Q. That's fine.

4 MR. CASTRILLI: Mr. Chairman that will a
5 convenient place to break for the day.

6 THE CHAIRMAN: Very well. If we start
7 tomorrow at 9:30, based on the estimates we went
8 through a few minutes ago, we should finish within the
9 usual period of time; is that not correct?

10 MR. CASTRILLI: Sorry, the normal hearing
11 time?

12 THE CHAIRMAN: By the end of the day.

13 MR. CASTRILLI: Yes, I will be done
14 within two hours, maybe even less than that.

15 THE CHAIRMAN: That gives you better than
16 an hour.

17 MS. BLASTORAH: I think that should be
18 fine, Mr. Chairman.

19 THE CHAIRMAN: We will adjourn until
20 9:30.

21 Thank you.

22 ---Whereupon the hearing adjourned at 5:30 p.m.,
23 to be reconvened on Tuesday, August 30th, 1988,
24 commencing at 9:30 a.m.

25

